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KING'S TOWN BANK

STOCK
CODE **2809**

ANNUAL
REPORT

2017

KTB's Annual Report Info.
BANK | www.ktb.com.tw
MOPS | mops.twse.com.tw

Printed on March, 2018

◆Spokesman

Name: Qi-Wei, You

Title: Vice President

Tel: 886-6-213-9171

E-mail: cwyoun@mail.ktb.com.tw

◆Deputy Spokesman

Name: Cheng-Kai, Hung

Title: Junior Manager

Tel: 886-2-2716-8383

E-mail: ir@mail.ktb.com.tw

◆Head Office and Branches

Please refer to Page 20

◆Stock Registration Agency

Name: Chinatrust Bank Call Center of Corporate Shareholder Trust

Address: 5F, No. 83, Sec. 1, Chongcing S. Rd, Jhongjheng Dist., Taipei City, Taiwan

Tel: 886-2-6636-5566

Website: <https://www.ctbcbank.com/>

◆Credit Rating Institution

Name: Fitch Australia Pty Ltd, Taiwan Branch

Address: Suite 1306, 13F, No. 205, Duanhuan Rd, Taipei City, Taiwan

Tel: 886-2-8175-7600

Website: <https://www.fitchratings.com/site/taiwan>

◆Independent Auditors

Name of CPA: Tzu-Jen, Hu ; Cheng-Dao, Chang

Firm: Ernst & Young

Address: 11F., No.189, Sec. 1, Yongfu Rd., West Central Dist., Tainan City, Taiwan

Tel: 886-6-292-5888

Website: http://www.ey.com/tw/zh_tw/home

◆Stock Exchanges where overseas securities are listed: Nil

◆King's Town Bank

Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City 700, Taiwan

Tel: 886-6-213-9171

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I. Letter to Shareholders

First of all, I would like to thank you for your continuing support throughout the year. King's Town Bank has responded to the changing business climate by adopting an aggressive stance in strengthening our competitiveness. Total consolidated revenue for 2017 was NT\$9.01 billion, net income after tax was NT\$5.61 billion and earnings per share was NT\$4.89. The results of our operating performance in 2017, business plan for 2018 and corporate development strategy are illustrated as follows:

1.1 Operation Performance in 2017

1. Business Review and Accomplishments in 2017

	2017	2016
Average deposit balance on NT Dollar Accounts	160.75 bn	154.78 bn
Average deposit balance on foreign currency Accounts	15.23 bn	15.50 bn
Average loans balance	133.74 bn	127.15 bn
NPL ratio	0.02%	0.02%
Coverage ratio	6,555.68%	6,660.45%
BIS ratio	15.80%	16.09%
Tier-1 ratio	15.20%	15.44%

2. Budget Implementation

	Execution	Target	Achievement rate
Average deposit balance on NT Dollar Accounts	160.75 bn	161.03 bn	99.83%
Average deposit balance on foreign currency Accounts	15.23 bn	15.39 bn	98.98%
Average loans balance	133.74 bn	136.90 bn	97.69%

3. Profitability Analysis

Revenue	Net Income after Tax	EPS	Net profit rate (%)	ROA(%)	ROE(%)
9.01 bn	5.61 bn	4.89	62.30%	2.18%	16.08%

4. Research and development status

Our bank has a unit dedicated to gathering and analyzing information daily on changes in macroeconomic condition, movements in the financial markets, and changes in laws and regulations, so that we can understand better how it impacts on our bank's operation and development. Additionally, we also encourage our associates to involve themselves in innovation and research projects and propose all kinds of improvement plans on their own initiative, so that we can adapt to developments in the market and the customers' needs.

1.2 Business Plan for 2018

1. Business Policies

- (1) Being a high-quality community bank and training local talents.
- (2) Assets quality upgrade and risk control.
- (3) Development of Fintech and creating opportunities.
- (4) Process simplification and efficiency upgrade.
- (5) Structure adjustment and profitability enhancement.

2. Business Operation Targets

	Target
Average deposit balance on NT Dollar Accounts	169.16 bn
Average deposit balance on foreign currency Accounts	16.27 bn
Average loans balance	147.14 bn

1.3 Development Strategy

1. To keep solid capital and maintain low NPL ratio.
2. Adjusting organization and expanding branches to meet customers' needs and market trend.
3. Encouraging innovation and simplification for higher operating efficiency and clients' satisfaction.
4. To diversify business and show employees' marketing skill for growth of revenues.
5. Fulfill our corporate social responsibilities, implement more favorable employee welfare policy and continue to be empathetic towards local communities.

1.4 Latest Credit Rating

Date	Rating Agency	Ratings		Outlook
		National L-Term	National S-Term	
2017.09.20	Fitch Ratings	A+ (twn)	F1 (twn)	Stable

1.5 Conclusion

In recent years the Bank, faced with changes in domestic and foreign financial environment, has had the honor to enjoy support from our faithful clients and shareholders; and with joint efforts of the all the staff workers, we are gradually seeing the results of our operations. I would like to express my gratitude to all of you. Trust and support from clients is the driving force for the ongoing pursuit of better performance of the Bank. In the future, clients will continue to be our utmost primary and that we will offer the best products and services in pursuit of the maximum profit for the shareholders.

Chen-Chih Tai
Chairman

II. Bank Overview

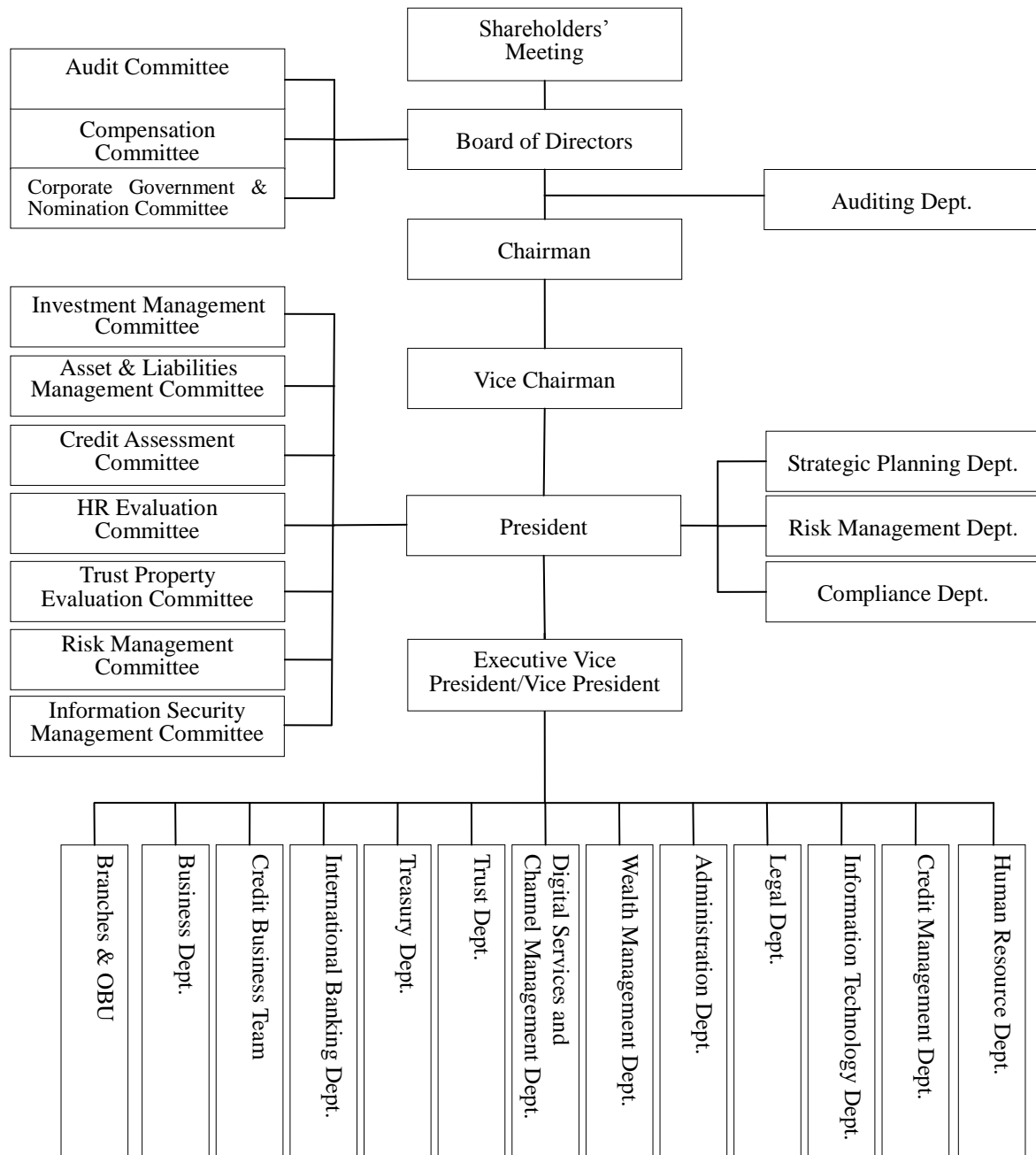
2.1 Date of Establishment: November 1, 1948.

2.2 Bank History

Date	History
November 1, 1948	“Tainan District Joint Saving Co., Ltd.” with an initial capital of 20 million Old Taiwan Dollars.
January 1, 1978	Authorized to rename as “Tainan Business Bank”.
July 20, 1983	Listed on TWSE with stock symbol 2809.
March 14, 2000	Established the International Banking Department.
May 17, 2002	The Bank has invested to establish the affiliate companys “Tainan Life Insurance Agent Co., Ltd.” and “Fu Chen Property Insurance Agent Co., Ltd.”.
July 24, 2002	Established the Offshore Banking Unit (OBU) .
August 15, 2005	The Bank undertook a cash capital increase of NT\$3.6 billion in order to qualify as a commercial bank.
May 3, 2006	Authorized to rename as “King’s Town Commercial Bank” (King’s Town Bank for short).
March 28, 2011	Established the "Audit Committee" to improve corporate governance.
September 26, 2011	Established the "Compensation Committee" to improve the remuneration policy of directors and managers.
January 22, 2015	The Bank has invested to establish the wholly owned subsidiary “KTB International Leasing Co., Ltd.”
December 7, 2016	The “KTB International Leasing Co., Ltd.” has invested to establish the wholly owned subsidiary “KTB International Real Estate Managemen Co., Ltd.”
November 13, 2017	Established the "Corporate Governance and Nomination Committee" to improve the nominating process for directors and managers.

III. Corporate Governance

3.1 Organizational Chart



3.2 Directors and Management Team

1. Directors Information

February 28, 2018

Title	Name	Date Effective	Education & Experience
Director	Tian Gang Investment Co., Ltd.	05/17/2017	
Chairman	Tian Gang Investment Co., Ltd. Representative: Chen-Chih Tai	05/17/2017	Department of Business Administration, National Chung Hsing University Executive Director, Makoto Bank Vice Chairman , King's Town Bank
Vice Chairman	Tian Gang Investment Co., Ltd. Representative: Chiung-Ting Tsai	05/17/2017	Master of Engineering Economic, Stanford University, USA Assistant Vice President, Vincera Ventures Executive Board of Director
Director	Tian Gang Investment Co., Ltd. Representative: Hsien-Tsung Wang	05/17/2017	Master of Business Administration, Chaminade University of Honolulu Executive Supervisor, King's Town Bank Deputy Manger, Fidelity Worldwide Investment
Director	Tian Gang Investment Co., Ltd. Representative: Chin-Chung Chuang	05/17/2017	National Kaohsiung Institute of Technology, Executive Vice President, King's Town Construction Co., Ltd.
Independent Director	Ming-Tai Chen	05/17/2017	Department of Water Resources Engineering, Tamkang University President, King's Town Bank Executive Vice President, Taipei Fubon Bank Executive Vice President, Citibank Taiwan
Independent Director	Chih-Chien Hsu	05/17/2017	Master of Dept. of Education, National Kaohsiung Normal University Legislator, Taiwan R.O.C
Independent Director	Chao-Long Chen	05/17/2017	Bachelor of School of Medicine, Kaohsiung Medical University Honorary doctorate degree of Engineering, Cheng Shiu University Director, Kaohsiung Chang Gung Memorial Hospital

2. Major Shareholders of Institutional Shareholders

February 28, 2018

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Tian Gang Investment Co., Ltd.	Bai Hong Construction Co., Ltd.(90.91%)、Tien-Tsan Tsai(2.82%)、Mei-Yun Tsai- Hsueh(1.73%)、Chien Chih Construction Co., Ltd. (1.71%)、Po To Mamm Investment Group Ltd. (BVI) (2.73%)、Chiung-Ting Tsai (0.11%)

3. Major Shareholders of Major Institutional Shareholders

February 28, 2018

Name of Institutional Shareholder	Major Shareholder of the juridical persons
Bai Hong Construction Co., Ltd.	Tien-Tsan Tsai (30.35%)、Jia-Ling Tsai (34.83%)、Yi-Ying Chen (34.83%)
Chien Chih Construction Co., Ltd.	Tien-Tsan Tsai(5.30%)、Hsien-Tsung Wang(61.21%)、Ching Cheng Construction Co., Ltd.(33.48%)
Po To Mamm Investment Group Ltd. (BVI)	Atherton Investment Group Ltd (100%)

3.3 Compensations for Board Directors, President, and Vice Presidents

1. Compensations for Board Directors

Dec 31, 2017; Unit: NT\$1,000

Title	Name	Compensations for directors								Share of combination of A,B,C and D in after-tax net profit	
		compensation(A)		Job-leaving and retirement payment(B)		Compensations from distribution of earnings(C)		Expense for business excution(D)			
		The bank	All companies in the financial statement	The bank	All companies in the financial statement	The bank	All companies in the financial statement	The bank	All companies in the financial statement	The bank	All companies in the financial statement
Chairman	Chen-Chih Tai	13,948	13,948	0	0	0	0	240	240	0.25%	0.25%
Vice Chairman	Chiung-Ting Tsai	8,423	8,423	0	0	0	0	240	240	0.15%	0.15%
Director	Hsien-Tsung Wang	480	480	0	0	0	0	282	282	0.01%	0.01%
Director	Shi-Xiong Li*	200	200	0	0	0	0	122	122	0.01%	0.01%
Director	Chin-Chung Chuang*	300	300	0	0	0	0	178	178	0.01%	0.01%
Independent Director	Ming-Tai Chen	960	960	0	0	0	0	286	286	0.02%	0.02%
Independent Director	Yi Chiu*	400	400	0	0	0	0	110	110	0.01%	0.01%
Independent Director	Cai-Fong Hou*	400	400	0	0	0	0	120	120	0.01%	0.01%
Independent Director	Chih-Chien Hsu*	600	600	0	0	0	0	164	164	0.01%	0.01%
Independent Director	Chao-Long Chen*	600	600	0	0	0	0	162	162	0.01%	0.01%

*Note: Director Shi-Xiong Li and Independent Director Yi Chiu and Cai-Fong Hou have leaved at May 17, 2017; Director Chin-Chung Chuang and Independent Director Chih-Chien Hsu and Chao-Long Chen had were elected at May 17, 2017. After-tax net profit 2017 is NT\$5.61 billion.

2. Compensation for President and Vice Presidents

Dec 31, 2017; Unit: NT\$1,000

Title	Name	Salary (A)		Job-leaving and retirement payment (B)		Bonus, and special allowance (C)		Employee dividend-sharing (D)				Share of combination of A,B,C and D in after-tax net profit	
		The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement	The bank		All companies in the financial statement			
								Cash dividend	Stock dividend	Cash dividend	Stock dividend	The Bank	All Companies in the financial statement
President	Shih-Chu Chien*	3,280	3,280	0	0	2,285	2,285	646	0	646	0	0.10%	0.10%
President	Ri-Zheng Zhang*	3,800	3,800	0	0	5,185	5,185	646	0	646	0	0.16%	0.16%
Chief Auditor	Yi-Lu Kung	2,089	2,089	0	0	1,417	1,417	646	0	646	0	0.06%	0.06%
Vice President	Han-Tsung Pan	1,725	1,725	0	0	783	783	646	0	646	0	0.04%	0.04%

*Note: President Shih-Chu Chien has leaved at Sep.25, and President Ri-Zheng Zhang newly elected at Dec.26, 2017.

3. Analytical comparisons of the shares of company's compensations for board directors, supervisors, president, and vice presidents in the after-tax net profits in the recent two years, as listed in the company's financial statement and the consolidated financial statement:

Unit: NT\$1,000

Title	2017		2016	
	The Bank	All companies in the financial statement	The Bank	All companies in the financial statement
Director	28,214	28,214	16,610	16,610
President and vice presidents	20,567	20,567	18,212	18,212
Total	48,781	48,781	34,822	34,822
Shares in the after-tax net profits	0.87%	0.87%	0.73%	0.73%

4. Major Resolutions of the Shareholder's Meeting

Category	Date	Case	Resolution
Shareholder's Meeting	2017.05.17	Adoption of the 2016 Financial Statements.	714,890,654 votes for approval and 28,282 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.
		Admit the earning distribution of 2016.	714,829,673 votes for approval and 187,226 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.
		Amend the Articles of Incorporation.	714,961,734 votes for approval and 29,274 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.
		Amend the Operational procedures for Acquisition and Disposal of Assets	714,961,734 votes for approval and 37,237 votes for disapproval, the case was approved in accordance with the resolution of the original Board of Directors.
		The 14th Election of Directors and Independent Directors	Seven people including Tai Chen-Chih were elected.

3.4 Omnibus Shareholding Ratio

December 31, 2017; Unit: share / %

Equity investment	Investment by the bank		Investment by the company directly or indirectly controlled by the bank and the bank's directors, supervisors, presidents, vice presidents, assistant vice presidents, and branch chiefs		General investment	
	Amount of shares	Share of stake	Amount of shares	Share of stake	Amount of shares	Share of stake
Taiwan Depository & Clearing Corp.	1,316,344	0.36%	0	0%	1,316,344	0.36%
Taipei Forex Inc.	80,000	0.40%	0	0%	80,000	0.40%
Taiwan Future Exchange	1,575,897	0.50%	0	0%	1,575,897	0.50%
Financial Information Service Co.	5,937,750	1.14%	0	0%	5,937,750	1.14%
Tainan Life Insurance Agent Co., Ltd.	3,000,000	100%	0	0%	3,000,000	100%
Fu Chen Property Insurance Agent Co., Ltd.	300,070	100%	0	0%	300,070	100%
KTB International Leasing Co., Ltd.	51,190,000	100%	0	0%	51,190,000	100%
Taiwan Stock Exchange Corp.	3,028,031	0.44%	0	0%	3,028,031	0.44%
Sunshine Financial Asset Service Corp.	37,211	0.62%	0	0%	37,211	0.62%
Taiwan Incubator SME Development Corp.	3,417,440	4.84%	0	0%	3,417,440	4.84%

IV. Fund Raising Activities

4.1 Capital and Shares

1. Sources of Capital

March 31, 2018; Unit: share / NT\$

Month Year	Issuing Price	Registered capital		Paid-in capital		Source of Capital
		Amount of Shares	Value	Amount of Shares	Value	
Jan.1978		20,000,000	200,000,000	20,000,000	200,000,000	Ordered to restructuring
Mar.1980		24,000,000	240,000,000	24,000,000	240,000,000	Shareholder dividend 30.40 million, Special reserve 9.6 million
May 1981		30,000,000	300,000,000	30,000,000	300,000,000	Dividends 14.40 million, Bonus 25.20 million, Special reserve 20.40 million
Mar.1982		40,200,000	402,000,000	40,200,000	402,000,000	Value reserve 45.90 million, Special reserve 56.10 million
Oct.1983		42,500,000	425,000,000	42,500,000	425,000,000	Special reserve 23 million
Sep.1984		45,000,000	450,000,000	45,000,000	450,000,000	Special reserve 25 million
Jul.1985		47,500,000	475,000,000	47,500,000	475,000,000	Special reserve 25 million
Jun.1986		50,000,000	500,000,000	50,000,000	500,000,000	Special reserve 25 million
Jul.1987		52,500,000	525,000,000	52,500,000	525,000,000	Special reserve 25 million
May 1988		63,000,000	630,000,000	63,000,000	630,000,000	Special reserve 105 million
Jun.1989		80,000,000	800,000,000	73,080,000	730,800,000	Special reserve 100.80 million
Nov.1989	180	80,000,000	800,000,000	80,000,000	800,000,000	Cash capital increment 69.20 million
Jun.1990		200,000,000	2,000,000,000	120,350,000	1,203,500,000	Capital reserve 240 million, Special reserve 160 million, employee bonus 3.5 million
Jun.1991		200,000,000	2,000,000,000	171,500,000	1,715,000,000	Surplus and Special reserve 228.665 million, Capital reserve 277.835 million, employee bonus 5 million
Nov.1992		227,300,000	2,273,000,000	227,300,000	2,273,000,000	Surplus and Special reserve 274.40 million, Capital reserve 277.83 million, employee bonus 5.77 million
Aug.1993		270,000,000	2,700,000,000	270,000,000	2,700,000,000	Surplus and Special reserve 281.23 million, Capital reserve 144.77 million, employee bonus 1 million
Mar.1994	53	335,000,000	3,350,000,000	335,000,000	3,350,000,000	Surplus 390.415 million, Capital reserve 9.585 million, Cash capital increment 250 million
Mar.1995	43	440,130,000	4,401,300,000	440,130,000	4,401,300,000	Cash capital increment 100 million, Surplus 599.204 million, Capital reserve 332.096 million, employee bonus 20. million
Oct.1996		545,762,200	5,457,622,000	545,762,200	5,457,622,000	Surplus 624.985 million, Capital reserve 431.327 million
Nov.1997		646,727,022	6,467,270,220	646,727,022	6,467,270,220	Surplus 578.507 million, Capital reserve 431.151 million
Dec.1998		724,334,265	7,243,342,650	724,334,265	7,243,342,650	Surplus 523.849 million, Capital reserve 252.223 million
Oct.2005	10.7	1,800,000,000	18,000,000,000	1,084,334,265	10,843,342,650	Cash capital increment 3.6 billion
Nov.2008		1,800,000,000	18,000,000,000	1,069,334,265	10,693,342,650	Cancellation of treasury shares 150 million
Dec.2008		1,800,000,000	18,000,000,000	1,051,234,265	10,512,342,650	Cancellation of treasury shares 181 million
Mar.2013	10	1,800,000,000	18,000,000,000	1,201,234,265	12,012,342,650	Private placement of convertible financial debentures converted into equity 1.5 billion
Feb.2016		1,800,000,000	18,000,000,000	1,164,234,265	11,642,342,650	Cancellation of treasury shares 370 million
Mar.2016		1,800,000,000	18,000,000,000	1,151,234,265	11,512,342,650	Cancellation of treasury shares 130 million

March 19, 2018; Unit: share

Kinds of Shares	Registered Capital			Note
	Shares in Circulation	Share not issued	Total	
Common shares	1,151,234,265	648,765,735	1,800,000,000	Listed
Preferred shares	0	0	0	

2. Makeup of Shareholders (Common shares)

March 19, 2018; Unit: share / %

Makeup of Shareholders Amount	Financial Institutions	Other Institutions	Individuals	Foreign Institutions and Foreigners	Treasury Stock	Total
Number	6	101	32,413	317	1	32,838
Amount of shares	107,412,642	268,778,441	492,272,383	278,684,799	4,086,000	1,151,234,265
Share of stake (%)	9.33%	23.35%	42.76%	24.21%	0.35%	100%

Note: No government agencies shareholders.

3. Diversification of shareholding

Face value per share: NT\$10; March 19, 2018

Grades of Shareholding	Number of Shareholders	Amount of Shares Owned	Share of Stake (%)
1 to 999	16,951	4,473,000	0.39%
1,000 to 5,000	11,289	24,027,643	2.09%
5,001 to 10,000	2,140	16,335,278	1.42%
10,001 to 15,000	659	8,188,223	0.71%
15,001 to 20,000	437	7,950,806	0.69%
20,001 to 30,000	377	9,637,708	0.84%
30,001 to 40,000	166	5,986,803	0.52%
40,001 to 50,000	119	5,491,229	0.48%
50,001 to 100,000	229	16,671,191	1.45%
100,001 to 200,000	143	20,443,805	1.78%
200,001 to 400,000	98	28,285,197	2.46%
400,001 to 600,000	55	26,983,853	2.34%
600,001 to 800,000	24	16,512,182	1.43%
800,001 to 1,000,000	23	20,696,625	1.80%
Over 1,000,001	128	939,550,722	81.60%
Total	32,838	1,151,234,265	100%

Note: Diversification of shareholding (preferred shares): Nil.

4. List of Major Shareholders

March 19, 2018

Names of Major Shareholders	Amount of Shares Owned	Share of Stake (%)
Mercuries Life Insurance Co.,Ltd	94,696,000	8.23%
Chen-Chih Tai	77,824,000	6.76%
Tien-Tsan Tsai	72,752,033	6.32%
Jin Cheng Construction Co. , Ltd.	46,651,000	4.05%
Tian Gang Investment Co., Ltd.	39,399,025	3.42%
Tian Lai Investment Co., Ltd.	34,690,325	3.01%
Xin Rui Investment Co., Ltd.	34,581,869	3.00%
Hsien-Tsung Wang	29,277,882	2.54%
Yi-Ying Chen	23,756,000	2.06%
Bank of Taiwan custody Fidelity Investment Trust, Fidelity Emerging Markets Series households	21,293,000	1.85%

Note: Listed shareholding of the top ten shareholders.

5. Information on Share Prices, Book Value, Earnings, and Dividend in the Recent Two Years

Unit: NT\$

Item		Year	2016	2017	January 31, 2018
Market price per share	Highest		29.40	38.35	43.00
	Lowest		19.60	27.80	37.10
	Average		23.97	31.37	40.92
Book value per share	Before dividend payout		28.62	32.25	32.97
	After dividend payout		27.12	-	-
Earnings per share	Weighted average amount of shares (1,000 shares)		1,145,429	1,146,234	1,146,234
	Earning per share		4.17	4.89	0.40
Dividend per share	Cash dividend		1.5	-	-
	Stock dividend from retained earnings		-	-	-
	Stock dividend from legal reserves		-	-	-
	Accumulated retained dividend		-	-	-
Analysis of investment returns	P/E ratio		5.75	6.42	8.53
	Price/earnings ratio		15.98	-	-
	Yield rate of cash dividend		6.26	-	-

Note: Shareholder's meeting has yet to approve the proposal for profit sharing for 2017.

6. Buyback of Treasury Stock

Batch Order	12th Batch	13th Batch	14th Batch	15th Batch
Purpose of buy-back	Transfer to employees	Maintain bank's credit and shareholder's equity	Maintain bank's credit and shareholder's equity	Transfer to employees
Timeframe of buy-back	2015/7/7~ 2015/8/13	2015/8/18~ 2015/9/11	2015/9/15~ 2015/11/13	2015/11/18~ 2015/11/27
Price range	NT\$ 27~ NT\$ 33	NT\$ 22~ NT\$ 30	NT\$ 22~ NT\$ 30	NT\$ 22~ NT\$ 30
Quantity of shares bought-back	5,000,000	10,000,000	15,000,000	3,000,000
Value of shares bought-back	NT\$ 129,640,464	NT\$ 219,641,921	NT\$ 369,933,111	NT\$ 70,498,802
Average repurchase price per share	NT\$ 25.93	NT\$ 21.96	NT\$ 24.66	NT\$ 23.50
Shares cancelled/transferred	914,000	10,000,000	15,000,000	3,000,000
Accumulated number of company shares held	5,000,000	15,000,000	30,000,000	33,000,000
Percentage of total company shares held (%)	0.42%	1.25%	2.5%	2.75%
Batch Order	16th Batch	17th Batch	18th Batch	
Purpose of buy-back	Maintain bank's credit and shareholder's equity	Transfer to employees	Maintain bank's credit and shareholder's equity	
Timeframe of buy-back	2015/12/1~ 2016/1/15	2016/1/19~ 2016/1/22	2016/1/28~ 2016/2/26	
Price range	NT\$ 22~ NT\$ 30	NT\$ 22~ NT\$ 30	NT\$ 22~ NT\$ 30	
Quantity of shares bought back	12,000,000	2,000,000	13,000,000	
Value of shares bought-back	NT\$ 274,403,637	NT\$ 41,386,144	NT\$ 274,559,134	
Average repurchase price per share	NT\$ 22.87	NT\$ 20.69	NT\$ 21.12	
Shares cancelled/transferred	12,000,000	2,000,000	13,000,000	
Accumulated number of company shares held	45,000,000	47,000,000	23,000,000	
Percentage of total company shares held (%)	3.75%	3.91%	1.98%	

4.2 Issuance of Bank Debentures: Nil.

4.3 Issuance of Preferred Shares, Overseas Depository Certificates, Stock Options and Restricted Right Shares for Employees: Nil.

4.4 Acquisition of or Sell to Other Financial Institutions: Nil.

V. Business Status

5.1 Business Contents

1. Business Items

- (1) Deposits
- (2) Loans
- (3) International Banking
- (4) Wealth Management and Trust Services
- (5) Investment Business

2. Growth and Change in Various Business Items

Unit: NT\$ 1,000 / %

Item	2017	2016	Increase/decrease	Growth rate (%)
Deposit Balance on NT Dollar Accounts	164,911,293	158,796,275	6,115,018	3.85
Deposit Balance on Foreign Currency Accounts	15,811,809	15,064,994	746,815	4.96
Loans Balance	145,157,201	126,252,618	18,904,583	14.97
Trust Balance	14,737,230	17,639,242	(2,902,012)	(16.45)

Unit: NT\$ million / %

Item		2017	2016	Increase/decrease	Growth rate (%)
Investment Business	Central bank CD	17,600	19,300	(1,700)	(8.81)
	Domestic Government Bonds	37,105	27,878	9,207	33.00
	Domestic Corporate Bonds	0	701	(701)	(100)
	Stocks	4,634	3,709	925	24.94
	Funds	470	4	466	11,650
	REITS	387	387	0	0.00
	Domestic Convertible Bonds	50	50	0	0.00
	Asset Swaps	0	0	0	0.00
	Structured Product	0	0	0	0.00
	Foreign Currency Securities	37,233	37,736	(503)	(1.33)
Long-term Equity Investments	740	740	0	0.00	
Total		98,219	90,525	7,694	8.50

3. The Proportion to Revenue in Various Business Items

Unit: NT\$ 1,000 / %

Item	2017		2016	
	Amount	%	Amount	%
Revenue	9,005,445	100.00	7,524,759	100.00
Loans	3,949,886	43.86	3,631,581	48.26
Corporate Finance	3,602,617	40.00	3,291,239	43.74
Consumer Finance	347,269	3.86	340,342	4.52
Trust Services	12,849	0.14	6,784	0.09
International Banking	468,979	5.21	388,242	5.16
Wealth Management	431,835	4.80	577,593	7.68
Investment Business	4,115,762	45.70	2,877,289	38.24
Others	26,134	0.29	43,270	0.58

5.2 Employee

Year		2016	2017	Current year as of February 28, 2018
Numbers of employee	Managers	270	267	268
	Staffs	653	664	671
	Total	923	931	939
Average age		39.6	38.8	39.6
Average service years		13.0	12.7	12.3
Shares of education degrees	Master and above	8.9%	9.35%	9.27%
	College	83.1%	82.92%	82.11%
	Senior high and Under	8.0%	7.73%	8.63%

VI. Financial Status

6.1 Five Year Condensed Balance Sheet and Income Statement Summary

1. Consolidated Condensed Balance Sheets—IFRSs

Unit: NT\$1,000

Item	Year	Five-Year Financial Data				
		2013	2014	2015	2016	2017
Cash and cash equivalents, Due from the Central Bank and call loans to other banks		54,041,800	44,961,047	38,841,253	39,288,559	18,978,280
Financial assets at fair value through profit or loss		1,544,550	3,333,154	4,722,217	5,585,356	21,606,855
Available-for-sale financial assets		33,337,378	55,660,486	58,310,324	63,973,405	59,078,492
Derivative financial assets for hedging		-	-	-	-	-
Bonds and securities purchased under resell agreements		248,029	772,295	3,287,166	3,106,295	2,565,772
Receivables, net		1,251,865	901,001	1,289,518	1,470,477	2,669,418
Current tax assets		-	-	-	-	-
Assets Held for Sale, net		-	-	-	-	-
Loans, net		107,542,844	121,560,045	123,642,946	124,251,450	142,947,865
Held-to-maturity financial assets		6,017,544	-	-	-	17,600,000
Investments accounted for using equity method, net		-	-	-	-	-
Restricted Assets		-	-	-	-	-
Other financial assets, net		6,642,016	4,524,455	4,227,015	3,052,381	2,309,637
Property and Equipment, net		2,682,595	2,548,865	2,494,436	2,461,730	2,393,890
Investment property, net		-	-	-	-	-
Intangible assets, net		-	-	-	-	-
Deferred tax assets, net		222,352	305,307	216,709	235,828	275,018
Other assets		466,658	720,865	522,006	658,481	751,034
Total assets		213,997,631	235,287,520	237,553,590	244,083,962	271,176,261
Due to Central Bank and other banks		15,445,318	12,863,112	17,160,139	10,381,448	22,269,428
Loans from The Central Bank and other banks		3,833,600	4,377,084	3,835,656	7,811,960	5,315,680
Financial liabilities at fair value through profit or loss		93,311	594,167	26,986	34,946	127,902
Derivative financial liabilities for hedging		-	-	-	-	-
Bonds and securities sold under repurchase agreements		22,652,181	27,902,026	16,431,429	15,553,347	21,359,805
Payables		1,079,473	1,676,477	1,156,928	2,260,933	2,431,811
Current tax liabilities		243,698	775,253	268,041	577,283	564,198
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposits		145,581,326	159,224,751	169,383,517	173,752,830	180,388,401
Bank debentures		-	-	-	-	-
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		1,177	-	-	70,000	900,000
Provisions		513,153	478,222	478,222	491,765	473,759
Deferred tax liabilities		79,436	81,387	81,387	55,482	50,135
Other liabilities		166,984	168,189	168,189	293,472	334,262
Total liabilities	Before payout	189,689,657	208,140,668	209,098,481	211,283,466	234,215,381
	After payout	191,491,509	209,942,520	209,669,098	213,002,818	(Note 2)
Equity attributable to shareholders of the parent		24,307,974	27,146,852	28,455,109	32,800,496	36,960,880
Capital stock	Before payout	12,012,343	12,012,343	12,012,343	11,512,343	11,512,343
	After payout	12,012,343	12,012,343	12,012,343	11,512,343	(Note 2)
Capital surplus		178,746	178,746	180,332	62,323	62,323
Retained earnings	Before payout	10,689,749	14,065,004	15,916,232	19,593,229	23,478,293
	After payout	8,887,897	12,263,152	15,345,615	17,873,877	(Note 2)
Other equity		1,427,136	890,759	1,319,176	1,762,241	2,037,561
Treasury shares		-	-	(972,974)	(129,640)	(129,640)
Noncontrolling interests		-	-	-	-	-
Total equity	Before payout	24,307,974	27,146,852	28,455,109	32,800,496	36,960,880
	After payout	22,506,122	25,345,000	27,884,492	31,081,144	(Note 2)

Note 1: All financial data have been audited by independent accountant.

Note 2: The earning distribution proposal of year 2017 has not been resolved by shareholders.

2. Condensed Balance Sheets—IFRSs

Unit: NT\$1,000

Item	Year	Five-Year Financial Data				
		2013	2014	2015	2016	2017
Cash and cash equivalents, Due from the Central Bank and call loans to other banks		54,041,800	44,761,047	28,503,721	38,829,461	18,938,467
Financial assets at fair value through profit or loss		1,544,550	3,333,154	4,722,217	5,585,356	21,606,855
Available-for-sale financial assets		33,337,378	55,660,486	58,310,324	63,791,755	58,723,646
Derivative financial assets for hedging		-	-	-	-	-
Bonds and securities purchased under resell agreements		248,029	772,295	3,172,466	3,106,295	2,565,772
Receivables, net		1,219,261	882,211	995,199	1,073,268	950,065
Current tax assets		-	-	-	-	-
Assets Held for Sale, net		-	-	-	-	-
Loans, net		107,542,844	121,560,045	123,642,946	124,251,450	142,947,865
Held-to-maturity financial assets		6,017,544	-	-	-	17,600,000
Investments accounted for using equity method, net		258,381	300,723	913,341	997,671	1,066,561
Restricted Assets		-	-	-	-	-
Other financial assets, net		6,642,016	4,524,455	4,127,015	2,952,381	2,189,637
Property and Equipment, net		2,682,470	2,548,865	2,494,270	2,461,369	2,392,392
Investment property, net		-	-	-	-	-
Intangible assets, net		-	-	-	-	-
Deferred tax assets, net		222,352	305,307	216,709	235,828	267,833
Other assets		464,458	718,165	519,304	653,899	745,778
Total assets		214,221,083	235,366,753	237,617,512	243,938,733	269,994,871
Due to Central Bank and other banks		15,445,318	12,863,112	17,160,139	10,381,448	22,269,428
Loans from The Central Bank and other banks		3,833,600	4,377,084	3,835,656	7,746,960	4,775,680
Financial liabilities at fair value through profit or loss		93,311	594,167	26,986	34,946	127,902
Derivative financial liabilities for hedging		-	-	-	-	-
Bonds and securities sold under repurchase agreements		22,652,181	27,902,026	16,431,429	15,553,347	21,359,805
Payables		1,075,032	1,670,618	1,148,858	2,242,415	2,419,466
Current tax liabilities		215,816	749,214	230,666	527,028	544,736
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposits		145,836,978	159,335,733	169,542,182	173,827,862	180,719,981
Bank debentures		-	-	-	-	-
Preferred stock liabilities		-	-	-	-	-
Other financial liabilities		1,177	-	-	-	-
Provisions		513,153	478,222	471,814	491,765	473,759
Deferred tax liabilities		79,436	81,387	73,721	55,482	50,135
Other liabilities		167,107	168,338	240,952	276,984	293,099
Total liabilities	Before payout	189,913,109	208,219,901	209,162,403	211,138,237	233,033,991
	After payout	191,714,961	210,021,753	209,733,020	212,857,589	(Note 2)
Equity attributable to shareholders of the parent		24,307,974	27,146,852	28,455,109	32,800,496	36,960,880
Capital stock	Before payout	12,012,343	12,012,343	12,012,343	11,512,343	11,512,343
	After payout	12,012,343	12,012,343	12,012,343	11,512,343	(Note 2)
Capital surplus		178,746	178,746	180,332	62,323	62,323
Retained earnings	Before payout	10,689,749	14,065,004	15,916,232	19,593,229	23,478,293
	After payout	8,887,897	12,263,152	15,345,615	17,873,877	(Note 2)
Other equity		1,427,136	890,759	1,319,176	1,762,241	2,037,561
Treasury shares		-	-	(972,974)	(129,640)	(129,640)
Noncontrolling interests		-	-	-	-	-
Total equity	Before payout	24,307,974	27,146,852	28,455,109	32,800,496	36,960,880
	After payout	22,506,122	25,345,000	27,884,492	31,081,144	(Note 2)

Note 1: All financial data have been audited by independent accountant.

Note 2: The earning distribution proposal of year 2017 has not been resolved by shareholders.

3. Consolidated Condensed Income Statement—IFRSs

Unit: NT\$1,000

Item	Year	Five-Year Financial Data				
		2013	2014	2015	2016	2017
Interest income		5,563,599	6,331,857	6,508,388	6,227,659	6,232,248
Less: Interest expense		(1,222,437)	(1,378,258)	(1,428,961)	(1,324,638)	(1,431,778)
Net interest income		4,341,162	4,953,599	5,079,427	4,903,021	4,800,470
Net income and gains other than interest income		2,592,343	2,808,786	1,412,214	2,251,913	4,074,471
Available-for-sale financial assets impairment		(161,453)	2,422	(368,937)	369,825	130,504
Gross income		6,772,052	7,764,807	6,122,704	7,524,759	9,005,445
Allowances lodged for bad debt expenses and guarantee responsibilities		(567,374)	(114,470)	(52,633)	(111,058)	(670,584)
Operating expenses		(1,442,137)	(1,616,949)	(1,609,509)	(1,833,880)	(1,874,278)
Net income from continuing operations before income tax		4,762,541	6,033,388	4,460,562	5,579,821	6,460,583
Income tax (expense) benefit		(620,528)	(837,034)	(777,808)	(798,363)	(850,049)
Net income from continuing operations		4,142,013	5,196,354	3,682,754	4,781,458	5,610,534
Profit or loss of discontinued operations		-	-	-	-	-
Consolidated net income(loss) for the period		4,142,013	5,196,354	3,682,754	4,781,458	5,610,534
Other comprehensive income for the period, net of income tax		459,773	(555,624)	398,743	423,634	269,202
Total comprehensive income for the period		4,601,786	4,640,730	4,081,497	5,205,092	5,879,736
Net income attributable to shareholders of the parent		4,142,013	5,196,354	3,682,754	4,781,458	5,610,534
Net income attributable to noncontrolling interests		-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent		4,601,786	4,640,730	4,081,497	5,205,092	5,879,736
Total comprehensive income attributable to noncontrolling interests		-	-	-	-	-
Earnings per share (EPS)		3.53	4.33	3.09	4.17	4.89

Note : All financial datas have been audited by independent accountant.

4. Condensed Income Statement—IFRSs

Unit: NT\$1,000

Item	Year	Five-Year Financial Data				
		2013	2014	2015	2016	2017
Interest income		5,563,599	6,331,857	6,502,846	6,209,013	6,162,590
Less: Interest expense		(1,223,033)	(1,379,061)	(1,429,607)	(1,323,391)	(1,423,685)
Net interest income		4,340,566	4,952,796	5,073,239	4,885,622	4,738,905
Net income and gains other than interest income		2,534,763	2,738,389	1,322,830	2,099,168	4,009,192
Available-for-sale financial assets impairment		(161,453)	2,422	(368,937)	369,825	130,504
Gross income		6,713,876	7,693,607	6,027,132	7,354,615	8,878,601
Allowances lodged for bad debt expenses and guarantee responsibilities		(567,374)	(114,470)	(46,933)	(59,645)	(639,497)
Operating expenses		(1,427,578)	(1,593,677)	(1,581,235)	(1,797,290)	(1,838,849)
Net income from continuing operations before income tax		4,718,924	5,985,460	4,398,964	5,497,680	6,400,255
Income tax (expense) benefit		(576,911)	(789,106)	(716,210)	(716,222)	(789,721)
Net income from continuing operations		4,142,013	5,196,354	3,682,754	4,781,458	5,610,534
Profit or loss of discontinued operations		-	-	-	-	-
Consolidated net income(loss) for the period		4,142,013	5,196,354	3,682,754	4,781,458	5,610,534
Other comprehensive income for the period, net of income tax		459,773	(555,624)	398,743	423,634	269,202
Total comprehensive income for the period		4,601,786	4,640,730	4,081,497	5,205,092	5,879,736
Net income attributable to shareholders of the parent		4,142,013	5,196,354	3,682,754	4,781,458	5,610,534
Net income attributable to noncontrolling interests		-	-	-	-	-
Total comprehensive income attributable to shareholders of the parent		4,601,786	4,640,730	4,081,497	5,205,092	5,879,736
Total comprehensive income attributable to noncontrolling interests		-	-	-	-	-
Earnings per share (EPS)		3.53	4.33	3.09	4.17	4.89

Note: All financial datas have been audited by independent accountant.

6.2 Financial Analysis for Recent Five Years

1. Consolidated Financial Analysis –IFRSs

Unit: NT\$1,000

Item	Year	Five-Year Financial Data				
		2013	2014	2015	2016	2017
Management ability	Deposit/loan ratio (%)	75.05	77.55	74.13	72.67	80.49
	NPL ratio (%)	0.05	0.03	0.03	0.02	0.02
	Interest income/average outstanding deposit ratio (%)	0.78	0.83	0.87	0.77	0.81
	Interest income/average outstanding loans ratio (%)	5.39	5.45	5.22	4.88	4.62
	Turnover rate of total assets (times)	0.034	0.033	0.027	0.031	0.033
	Revenue per employee	7,933	8,761	7,149	7,871	9,351
	Profit per employee	4,739	5,865	4,056	5,002	5,826
Profit-making capability	Returns on tier 1 capital (%)	22.98	25.32	17.20	19.45	19.84
	Returns on assets (%)	2.03	2.31	1.56	1.99	2.18
	Returns on shareholder's equity (%)	18.69	20.20	13.25	15.61	16.08
	Net Profit rate (%)	59.74	66.94	56.73	63.54	62.30
	Earnings per share(NT\$1)	3.53	4.33	3.09	4.17	4.89
Financial structure	Liabilities/assets ratio (%)	88.62	88.44	87.99	86.51	86.32
	Property, plant, and equipment as a percentage of equity (%)	11.04	9.39	8.77	7.51	6.48
Growth rate	Asset growth (%)	10.24	9.95	0.96	2.75	11.10
	Profit growth (%)	18.01	26.68	(26.07)	25.09	15.78
Cash flow	Cash flow rate (%)	0.37	(37.32)	31.91	(10)	(49.75)
	Propriety of cash flow ratio (%)	827	401.47	415.73	361.36	280.31
	Cash-flow satisfaction ratio (%)	(12.26)	(710.84)	2370.30	(247.81)	(3050.87)
Liquid reserve ratio (%)		27.51	27.61	29.19	29.29	28.46
Secured loans for related parties		295,247	304,131	215,205	181,243	166,103
Share of outstanding secured loans for related parties in total outstanding loans (%)		0.27	0.25	0.17	0.14	0.11
Business Scale	Market share of asset (%)	0.47	0.48	0.47	0.47	0.50
	Market share of book value (%)	0.86	0.86	0.83	0.91	0.98
	Market share of deposit (%)	0.50	0.51	0.51	0.51	0.51
	Market share of loans (%)	0.49	0.53	0.52	0.50	0.55

Note: All financial datas have been audited by independent accountant.

2. Financial Analysis –IFRSs

Unit: NT\$1,000

Item	Year	Five-Year Financial Data				
		2013	2014	2015	2016	2017
Management ability	Deposit/loan ratio (%)	74.92	77.50	74.06	72.64	80.34
	NPL ratio (%)	0.05	0.03	0.03	0.02	0.02
	Interest income/average outstanding deposit ratio (%)	0.78	0.83	0.87	0.77	0.81
	Interest income/average outstanding loans ratio (%)	5.39	5.45	5.22	4.87	4.57
	Turnover rate of total assets (times)	0.034	0.033	0.027	0.030	0.033
	Revenue per employee	7,948	8,760	7,154	7,841	9,465
	Profit per employee	4,788	5,918	4,119	5,098	5,981
Profit-making capability	Returns on tier 1 capital (%)	21.03	25.27	17.14	19.46	19.94
	Returns on assets (%)	2.03	2.31	1.56	1.99	2.18
	Returns on shareholder's equity (%)	18.69	20.20	13.25	15.61	16.08
	Net Profit rate (%)	60.24	67.56	57.58	65.01	63.19
	Earnings per share(NT\$1)	3.53	4.33	3.09	4.17	4.89
Financial structure	Liabilities/assets ratio (%)	88.63	88.45	87.99	86.50	86.26
	Property, plant, and equipment as a percentage of equity (%)	11.04	9.39	8.77	7.50	6.47
Growth rate	Asset growth (%)	10.26	9.87	0.96	2.66	10.68
	Profit growth (%)	17.85	26.84	(26.51)	24.98	16.42
Cash flow	Cash flow rate (%)	0.37	(37.79)	32.71	(9.83)	(48.80)
	Propriety of cash flow ratio (%)	820.88	398.43	420.24	365.88	146.78
	Cash-flow satisfaction ratio (%)	(12.26)	(719.70)	(19,742.00)	(242.69)	(2929.60)
Liquid reserve ratio (%)		27.51	27.61	29.19	29.29	28.46
Secured loans for related parties		295,247	304,131	215,205	181,243	166,103
Share of outstanding secured loans for related parties in total outstanding loans (%)		0.27	0.25	0.17	0.14	0.11
Business Scale	Market share of asset (%)	0.47	0.48	0.47	0.47	0.50
	Market share of book value (%)	0.86	0.86	0.83	0.91	0.98
	Market share of deposit (%)	0.50	0.51	0.51	0.51	0.51
	Market share of loans (%)	0.49	0.53	0.52	0.50	0.55

Note: Independent accountant has audited all financial datas.

Calculation formula:

1. Management capability
 - (1) Deposit/loan ratio=total deposits/total loans
 - (2) NPL ratio=Total NPL/total loans
 - (3) Ratio of interest outlay in annual average of outstanding deposits=total interest outlay/annual average of outstanding deposits
 - (4) Ratio of interest income in annual average of outstanding loans/Total interest income/annual average of outstanding loans
 - (5) Turnover rate of assets=Net revenue/total assets value.
 - (6) Revenue per employee =net revenue/total number of employees
 - (7) Profit per employee=After-tax net profit/total number of employees
2. Profit-making capability
 - (1) Returns on Tier I capital=pre-tax income/average Tier I capital.
 - (2) Returns on assets=after-tax income/average value of assets
 - (3) Returns on shareholders' equity=after-tax income/average value of net shareholders' equity
 - (4) Net profit rate=after-tax income/net revenue
 - (5) Earnings per share= (after-tax net profit-dividend for preferred shares/weighted average of issued shares)
3. Financial structure
 - (1) Ratio of liabilities in assets=total liabilities/total assets
 - (2) Property, plant, and equipment as a percentage of equity = net value of real estate and equipment /net shareholders' equity
4. Growth rate
 - (1) Assets growth rate= (total assets in current year-total assets in previous year)/total assets in previous year
 - (2) Profit growth= (Pre-tax income in current year-pre-tax income in previous year)/pre-tax income in previous year
5. Cash flow
 - (1) Cash flow ratio=net cash flow for business activities/(call loans and overdraft of bank and peers + promissory notes payable +financial liabilities from change in fair value + liabilities of repot bills and bonds + accounts payable due in one year)
 - (2) Propriety ratio of net cash flow=net cash flow for business activities in recent five years/ (capital outlay + cash dividend) in recent five years
 - (3) Satisfactory rate for cash flow=net cash flow for business activities/net cash flow for investments
6. Liquid reserves ratio=liquid assets required by the Central Bank of China/required liquid reserves for various liabilities
7. Analysis of business scale
 - (1) Market share of assets=total assets/total assets of financial institutions capable of undertaking deposit/loan business
 - (2) Market share of book value=book value/total book value of financial institutions capable of undertaking deposit/loan business
 - (3) Market share of deposits=total deposits/total deposits of financial institutions capable of undertaking deposit/loan business
 - (4) Market share of loans=total loans/total loans of financial institutions capable of undertaking deposit/loan business

3. Consolidated Capital Adequacy Ratio

Unit: NT\$1,000 / %

Item		Year	Financial information in recent five years					
			2013	2014	2015	2016	2017	
Capital	Common equity		22,567,572	25,081,589	26,791,644	30,567,318	34,540,390	
	Additional tier 1 capital		0	0	0	0	0	
	Tier 2 capital		1,684,225	1,352,353	941,833	1,286,745	1,371,984	
	Capital		24,251,797	26,433,942	27,733,477	31,863,063	35,912,374	
Risk weighted assets	Credit risk	Standardized approach	138,249,237	156,483,411	159,808,610	172,253,077	189,364,260	
		Internal rating based approach (IRB)	0	0	0	0	0	
		Asset securitization	0	0	0	0	0	
	Operating risk	Basic indicator approach (BIA)	9,528,323	10,662,451	11,660,108	12,491,079	13,659,885	
		Standardized approach / Optional Standardized approach	0	0	0	0	0	
		Advanced approach	0	0	0	0	0	
	Market risk	Standardized approach	17,319,906	23,878,835	15,931,443	13,318,991	24,201,891	
		Internal model approach	0	0	0	0	0	
	Total risk weighted assets			165,097,466	191,024,697	187,400,161	198,079,949	227,226,036
	Capital adequacy ratio			14.69%	13.84%	14.80%	16.09%	15.80%
Tier 1 capital to risk weighted assets ratio			13.67%	13.13%	14.30%	15.44%	15.20%	
Common equity to risk weighted assets ratio			13.67%	13.13%	14.30%	15.44%	15.20%	
Leverage ratio			-	-	10.28%	11.71%	11.95%	

4. Capital Adequacy Ratio

Unit: NT\$1,000 / %

Item		Year	Financial information in recent five years					
			2013	2014	2015	2016	2017	
Capital	Common equity		22,438,382	24,931,227	26,384,973	30,127,483	34,063,996	
	Additional tier 1 capital		0	0	0	0	0	
	Tier 2 capital		1,555,034	1,201,992	535,163	837,909	885,604	
	Capital		23,993,416	26,133,219	26,920,136	30,965,392	34,949,600	
Risk weighted assets	Credit risks	Standardized approach	138,225,680	156,365,748	159,432,129	171,480,858	187,587,490	
		Internal rating based approach (IRB)	0	0	0	0	0	
		Asset securitization	0	0	0	16,802	0	
	Operational risks	Basic indicator approach (BIA)	9,436,518	10,616,264	11,552,161	12,384,281	13,437,529	
		Standardized approach / Optional Standardized approach	0	0	0	0	0	
		Advanced approach	0	0	0	0	0	
	Market risks	Standardized approach	17,319,906	23,878,835	15,931,443	12,955,691	23,492,259	
		Internal model approach	0	0	0	0	0	
	Total risk weighted assets			164,982,104	190,860,847	186,915,733	196,837,632	224,517,278
	Capital adequacy ratio			14.54%	13.69%	14.40%	15.73%	15.57%
Tier 1 capital to risk weighted assets ratio			13.60%	13.06%	14.12%	15.31%	15.17%	
Common equity to risk weighted assets ratio			13.60%	13.06%	14.12%	15.31%	15.17%	
Leverage ratio			-	-	10.13%	11.56%	11.85%	

Note 1: Financial data calculated by the number reviewed by independent accountants.

Note 2: The aforementioned ratios are calculated as follows:

- (1) Capital base = Common equity + Additional tier 1 capital + Tier 2 capital.
- (2) Risk weighted assets = Credit risk weighted assets + (Operation risk Capital + Market risk Capital) × 12.5.
- (3) Capital adequacy ratio = Capital / Risk weighted assets
- (4) Tier 1 capital to risk weighted assets = (Common equity + Additional tier 1 capital) / Risk weighted assets
- (5) Common equity to risk weighted assets ratio = Common equity / Risk weighted assets
- (6) Leverage ratio = Tier 1 Capital / Total risk exposure

Note 3: Include data up to the quarter preceding the date on which the annual reports were published for listed stocks or companies with shares traded at securities dealers' place of business. Make a note to indicate whether the financial information has been certified, reviewed or neither certified nor reviewed by a CPA.

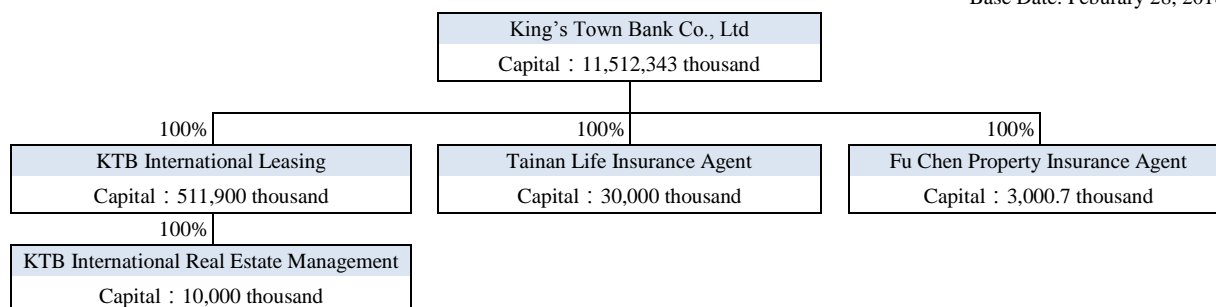
Note 4: The Leverage Ratio is a required disclosure from financial year 2015.

VII. Special Notes

7.1 Information of Affiliates

1. Organizational Chart of Affiliates

Base Date: February 28, 2018



2. Information on Affiliates

Unit: NT\$ / %

Name of Enterprise	Date of Establishment	Address	Paid-in Capital	Major Business Activities
Tainan Life Insurance Agent Co., Ltd.	91.05.17	8F, 506, Sec. 1, Simen Road, Tainan	30,000,000	Life Insurance Agent
Fu Chen Property Insurance Agent Co., Ltd.	91.05.17	8F, 506, Sec. 1, Simen Road, Tainan	3,000,700	Property Insurance Agent
KTB International Leasing Co., Ltd.	104.01.22	8F., No.167, Dunhua N. Rd., Songshan Dist., Taipei City	511,900,000	Leasing
KTB International Real Estate Management Co., Ltd.	105.12.07	8F., No.167, Dunhua N. Rd., Songshan Dist., Taipei City	10,000,000	Real Estate Management

3. Information on Directors, Supervisors, and Presidents of Affiliates

Base date: Dec 31, 2016

Name of Enterprise	Title	Name or Representative	Shareholding	
			Shareholding	Stake
Tainan Life Insurance Agent Co., Ltd.	Chairman Director Director Supervisor Supervisor	King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai King's Town Bank Co., Ltd Representative: Chen-Chih Tai King's Town Bank Co., Ltd Representative: Xue-Ling Chen King's Town Bank Co., Ltd Representative: Zhi-Cheng You King's Town Bank Co., Ltd Representative: Chien-Ko Yang	3,000,000	100.00%
Fu Chen Property Insurance Agent Co., Ltd.	Chairman Director Director Supervisor Supervisor	King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai King's Town Bank Co., Ltd Representative: Chen-Chih Tai King's Town Bank Co., Ltd Representative: Xue-Ling Chen King's Town Bank Co., Ltd Representative: Zhi-Cheng You King's Town Bank Co., Ltd Representative: Chien-Ko Yang	300,070	100.00%
KTB International Leasing Co., Ltd.	Chairman Director Director Supervisor	King's Town Bank Co., Ltd Representative: Shih-Chu Chien King's Town Bank Co., Ltd Representative: Chen-Chih Tai King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai King's Town Bank Co., Ltd Representative: Chien-Ko Yang	51,190,000	100.00%
KTB International Real Estate Management Co., Ltd.	Chairman Director Director Supervisor	King's Town Bank Co., Ltd Representative: Chiung-Ting Tsai King's Town Bank Co., Ltd Representative: Chen-Chih Tai King's Town Bank Co., Ltd Representative: Ming-Hui Chen King's Town Bank Co., Ltd Representative: Chien-Ko Yang	1,000,000	100.00%

4. Affiliates Business Review

Dec 31, 2017; Unit: NT\$ 1,000

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Value	Operating Revenue	Operating Income	Net Income (After Tax)	EPS
Tainan Life Insurance Agent Co., Ltd.	30,000	486,986	16,235	470,752	358,611	299,809	300,526	100.18
Fu Chen Property Insurance Agent Co., Ltd.	3,001	6,691	840	5,851	7,398	1,533	1,274	4.25
KTB International Leasing Co., Ltd.	511,900	2,114,258	1,524,300	589,959	1,418,182	45,461	53,576	1.05
KTB International Real Estate Management Co., Ltd.*	10,000	19,805	3,058	16,747	13,975	8,348	6,954	6.95

*Note: The KTB International Real Estate Management Co., Ltd. net income has reflected in the KTB International Leasing Co., Ltd.

VIII. Head Office & Branches

Branch	Address	Telephone
Headquarter	No.506, Sec. 1, Ximen Road, West Central Dist., Tainan	886-6-213-9171
Trust Dept.	8F, No.506, Sec. 1, Ximen Road, West Central Dist., Tainan	886-6-213-9922
International Banking Dept.	9F, No.506, Sec. 1, Ximen Road, West Central Dist., Tainan	886-6-215-5238
Offshore Banking Unit	9F, No.506, Sec. 1, Ximen Road, West Central Dist., Tainan	886-6-215-5238
Business Dept.	1F, No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City	886-6-214-1271
Songshan Branch	8F, No.167, Dunhua North Rd., Songshan Dist., Taipei City	886-2-8712-6369
Taipei Branch	2F, No.75, Sec. 4, Ren ai Rd, Da an Dist., Taipei City	886-2-2771-0922
Neihu Branch	No.181, Zhouzi St., Neihu Dist., Taipei City	886-2-2799-4599
Zhong-Xiao Branch	No.29, Ln. 743, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City	886-2-8785-2525
Banciao Branch	No.3, Sec. 1, Zhongshan Rd., North Dist., New Taipei City	886-2-8951-5758
Shuang-He Branch	No.878, Zhongzheng Rd., Zhonghe Dist., New Taipei City	886-2-8221-7871
Xinzhuang Branch	1F, No.146, Touqian Rd., Xinzhuang Dist., New Taipei City	886-2-2994-1213
Luzhou Branch	No.232, Jixian Rd., Luzhou Dist., New Taipei City	886-2-2288-4988
Xindian Branch	9F, No.190, Zhongzheng Rd., Xindian Dist., New Taipei City	886-2-8911-9298
Taoyuan Branch	No.106, Zhonghua Rd., Taoyuan Dist., Taoyuan City	886-3-347-2469
ZhongLi Branch	1F., No.175, Puyi Rd., Zhongli Dist., Taoyuan City	886-3-462-8989
Nankan Branch	No.117, Sec. 1, Xinnan Rd., Luzhu Dist., Taoyuan City	886-3-352-1616
Hsinchu Branch	No.180, Zhongzheng Rd., North Dist., Hsinchu City	886-3-528-0526
East Hsinchu Branch	No.227, Guanxin Rd., East Dist., Hsinchu City	886-3-563-9998
Taichung Branch	No.200, Chungming Rd., Nort Dist., Taichung City	886-4-2329-3511
Wenxin Branch	No.320, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	886-4-2328-8007
Dali Branch	No.408, Daming Rd., Dali Dist., Taichung City	886-4-2406-8829
Changhua Branch	No.136, Huashan Rd., Changhua City, Changhua County	886-4-7288-998
Dounan Branch	No.131, Zhongzheng Rd., Dounan Township, Yunlin County	886-5-597-3181
Huwei Branch	No.133, Gong an Rd., Huwei Township, Yunlin County	886-5-632-3301
Lunbei Branch	No.375, Zhongshan Rd., Lunbei Township., Yinlin County	886-5-696-6821
Douliu Branch	No.128, Minsheng Rd., Douliu City., Yunlin County	886-5-532-1561
Xiluo Branch	No.166, Fuxing Rd., Xiluo Township., Yunlin County	886-5-586-9541
Beigang Branch	No.61, Minzhu Rd., Beigang Township, Yunlin County	886-5-783-6181
Chiayi Branch	No.175, Linsen W. Rd., West Dist., Chiayi City	886-5-224-2135
Hsin-Yeh Branch	No.784., Xinmin Rd., West Dist., Chiayi City	886-5-285-2171
Meishan Branch	No.126, Zhongshan Rd., Meishan Township, Chiayi County	886-5-262-2131
Zhuqi Branch	No.221-1, Zhongshan Rd., Zhuqi Township, Chiayi County	886-5-261-1941
Zhongpu Branch	No.867, Sec. 5, Zhongshan Rd., Zhongpu Township, Chiayi County	886-5-239-0011
Shuishang Branch	No.317, Zhongxing Rd., Shuishang Township, Chiayi County	886-5-268-9681
Taibao Branch	No.166-17, Sec. 2, Beigang Rd., Taibao City, Chiayi County	886-5-238-1518
Puzi Branch	No.43, Shantong Rd., Puzi City, Chiayi County	886-5-379-5181
Minxiong Branch	No.6, Minsheng Rd., Minxiong Township, Chiayi County	886-5-226-2372

Branch	Address	Telephone
Dalin Branch	No.291, Xianghe Rd., Dalin Township, Chiayi County	886-5-265-1541
Tainan Branch	No.69, Sec. 2, Zhongyi Rd., West Central Dist., Tainan City	886-6-228-3155
East Tainan Branch	No.98, Sec. 2, Linsen Rd., East Dist., Tainan City	886-6-238-5506
Zhong-Hua Branch	No.106, Renhe Rd., East Dist., Tainan City	886-6-260-3171
Hsin-Hsing Branch	No.357, Xinxing Rd., South Dist., Tainan City	886-6-265-8511
Fu-Cheng Branch	No.15, Sec. 4, Ximen Rd., North Dist., Tainan City	886-6-283-3046
Yunong Branch	No.619-2, Yunong Rd., East Dist., Tainan City	886-6-235-0588
Kai-Yuan Branch	No.280, Kaiyuan Rd., North Dist., Tainan City	886-6-234-7302
An-He Branch	No.241, Sec. 2, Anhe Rd., Annan Dist., Tainan City	886-6-355-9311
An-Nan Branch	No.366, Sec. 1, Haidian Rd., Annan Dist., Tainan City	886-6-259-8153
Yen-Hang Branch	No.54, Zhongzheng N. Rd., Yongkang Dist., Tainan City	886-6-254-1839
Yongkang Branch	No.102, Sec. 2, Yongda Rd., Yongkang Dist., Tainan City	886-6-272-9621
Guiren Branch	No.29, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City	886-6-239-6185
Xinhua Branch	No.586, Zhongshan Rd., Xinhua Dist., Tainan City	886-6-598-7103
Yujing Branch	No.130, Zhongshan Rd., Yujing Dist., Tainan City	886-6-574-7673
Rende Branch	No.365, Zhongshan Rd., Rende Dist., Tainan City	886-6-270-8056
Guanmiao Branch	No.17, Wenheng Rd., Guanmiao Dist., Tainan City	886-6-596-1550
Madou Branch	No.83, Zhongshan Rd., Madou Dist., Tainan City	886-6-572-1117
Jiali Branch	No.203, Wenhua Rd., Jiali Dist., Tainan City	886-6-722-3152
Xigang Branch	No.344, Zhongshan Rd., Xigang Dist., Tainan City	886-6-795-1949
Xuejia Branch	No.111, Jisheng Rd., Xuejia Dist., Tainan City	886-6-783-1417
Xinying Branch	No.148, Zhongshan Rd., Xinying Dist., Tainan City	886-6-632-4161
Baihe Branch	No.7, Guoguang Rd., Baihe Dist., Tainan City	886-6-685-2085
Liujia Branch	No.491, Zhongzheng Rd., Liujia Dist., Tainan City	886-6-698-7813
Yanshui Branch	No.15, Zhongzheng Rd., Yanshui Dist., Tainan City	886-6-652-1677
Shanhua Branch	No.452, Zhongshan Rd., Shanhua Dist., Tainan City	886-6-581-5658
Xinshi Branch	No.240, Zhongzheng Rd., Xinshi Dist., Tainan City	886-6-599-5631
Zhong-zheng Branch	No.176, Qixian 1st Rd., Xinxing Dist., Kaohsiung City	886-7-235-2929
Kaohsiung Branch	No.110, Yucheng Rd., Sanmin Dist., Kaohsiung City	886-7-345-7171
North Kaohsiung Branch	No.150, Bo ai 2nd Rd., Zuoying Dist., Kaohsiung City	886-7-550-7708
Gangshan Branch	No.176, Zhongshan N. Rd., Gangshan Dist., Kaohsiung City	886-7-624-1766
Nanzi Branch	No.67, Yiqun Rd., Nanzi Dist., Kaohsiung City	886-7-362-6969

King's Town Bank Co., Ltd. and Subsidiaries

Consolidated Financial Statements

For the Years Ended

December 31, 2017 and 2016

Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City, Taiwan
Tel: 886-6-213-9171

King's Town Bank Co., Ltd. and Subsidiaries
Consolidated Balance Sheets
(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2017		December 31, 2016	
Code		Amount	%	Amount	%
10000	Assets				
11000	Cash and cash equivalents	\$4,443,137	2	\$4,985,673	2
11500	Due from the Central Bank and interbank borrowing	14,535,143	5	34,302,886	14
12000	Financial assets measured at fair value through profit or loss	21,606,855	8	5,585,356	2
12500	Securities purchased under resell agreements	2,565,772	1	3,106,295	2
13000	Receivables – net	2,669,418	1	1,470,477	1
13500	Loans and Discount - net	142,947,865	53	124,251,450	51
14000	Available-for-sale financial assets	59,078,492	22	63,973,405	26
14500	Held-to-maturity financial assets	17,600,000	6	-	-
15500	Other financial assets – net	328,669	-	310,344	-
15513	Debt investments without active market	1,980,968	1	2,742,037	1
18500	Property and equipment – net	2,393,890	1	2,461,730	1
19300	Deferred income tax assets	275,018	-	235,828	-
19500	Other assets – net	751,034	-	658,481	-
	Total assets	\$271,176,261	100	\$244,083,962	100

King's Town Bank Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

(Expressed in Thousands of New Taiwan Dollar)

Liabilities & Shareholders' Equity		December 31, 2017		December 31, 2016	
Code		Amount	%	Amount	%
20000	Liabilities				
21000	Deposits from the Central Bank and banks	\$22,269,428	8	\$10,381,448	4
21500	Due to the Central Bank and other banks	5,315,680	2	7,811,960	3
22000	Financial liabilities measured at fair value through profit or loss	127,902	-	34,946	-
22500	Securities sold under repurchase agreements	21,359,805	8	15,553,347	6
23000	Payables	2,431,811	1	2,260,933	2
23200	Current income tax liabilities	564,198	-	577,283	-
23500	Deposits and remittances	180,388,401	67	173,752,830	71
25500	Other financial liabilities	900,000	-	70,000	-
25600	Provisions	473,759	-	491,765	-
29300	Deferred income tax liabilities	50,135	-	55,482	-
29500	Other liabilities	334,262	-	293,472	-
	Total liabilities	234,215,381	86	211,283,466	86
31000	Stockholders' equity				
31100	Capital	11,512,343	4	11,512,343	5
31500	Additional Paid-In Capital	62,323	-	62,323	-
32000	Retained Earnings				
32001	Legal Reserve	7,872,137	3	6,437,699	3
32003	Special Reserve	72,877	-	48,970	-
32011	Unappropriated earnings	15,533,279	6	13,106,560	5
32500	Other equity	2,037,561	1	1,762,241	1
32600	Treasury Stock	(129,640)	-	(129,640)	-
	Total Equity	36,960,880	14	32,800,496	14
	Total liabilities and equity	\$271,176,261	100	\$244,083,962	100

King's Town Bank Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
(Expressed in Thousands of New Taiwan Dollar)

		2017		2016	
		Amount	%	Amount	%
41000	Interest income	\$6,232,248	69	\$6,227,659	83
51000	Less: Interest expense	(1,431,778)	(16)	(1,324,638)	(18)
	Net interest income	4,800,470	53	4,903,021	65
	Net income other than interest				
49100	Net service fee and commission income	1,772,080	20	1,769,610	24
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit and loss	1,012,831	11	347,115	5
49300	Realized gain (loss) on available-for-sale financial assets	1,131,183	13	14,503	-
49600	Foreign exchange gain (loss), net	94,866	1	69,298	1
49700	Reversal of impairment loss on assets	130,504	2	369,825	5
49800	Other non-interest incomes				
49805	Net investment gain (loss) on financial assets carried at cost	24,787	-	26,461	-
49813	Net investment gain (loss) on debts investment without active market	12,590	-	8,117	-
49863	Net gain (loss) on disposal of property, plant and equipment	5,294	-	(16,457)	-
49899	Other miscellaneous net income	20,840	-	33,266	-
	Revenue	9,005,445	100	7,524,759	100
58200	Provision losses for bad debt expenses and guarantee reserve	(670,584)	(7)	(111,058)	(1)
58400	Operating expenses				
58500	Employee benefit expense	(981,557)	(11)	(945,441)	(13)
59000	Depreciation and amortization	(51,122)	(1)	(51,192)	(1)
59500	Other general and administrative expenses	(841,599)	(9)	(837,247)	(11)
61000	Consolidated income (loss) from continuing operations before income tax	6,460,583	72	5,579,821	74
61003	Income tax expense	(850,049)	(10)	(798,363)	(10)
64000	Net income	5,610,534	62	\$4,781,458	64
	Other comprehensive income				
65000	Items that will not be reclassified to profit or loss				
65201	Remeasurements of defined benefit plans	(7,372)	-	(23,406)	-
65220	Related tax effects	1,254	-	3,975	-
65300	Items that may be subsequently reclassified to profit or loss				
65301	Exchange differences on translation of foreign operations	(32,956)	-	(55,799)	(1)
65302	Unrealized gain (loss) on available-for-sale financial assets	302,673	3	489,374	6
65320	Related tax effects	5,603	-	9,490	-
	Other Comprehensive Income after Tax for current period	269,202	3	423,634	5
66000	Total Comprehensive Income after Tax	\$5,879,736	65	\$5,205,092	69
67100	Consolidated net income attributable to:				
67101	Parent company	\$5,610,534		\$4,781,458	
67111	Non-controlling interests	\$ -		\$ -	
67300	Consolidated comprehensive income attributable to:				
67301	Parent company	\$5,879,736		\$5,205,092	
67311	Non-controlling interests	\$ -		\$ -	
	Earnings per share (Dollar)				
67500	Basic earnings per share	\$4.89		\$4.17	
67700	Diluted earnings per share	\$4.89		\$4.17	

King's Town Bank Co., Ltd. and Subsidiaries
Consolidated Statements of Changes in Equity
(Expressed in Thousands of New Taiwan Dollar)

	Common stock	Capital surplus	Retained Earnings			Other equity interest		Treasury Stock	Total
			Legal reserve	Special reserve	Undistributed earnings	Exchange Differences on Translation of Foreign Operations	Unrealized gain (loss) on available-for-sale financial assets		
Balance, January 1, 2016	\$12,012,343	\$180,332	\$5,332,873	\$48,970	\$10,534,389	\$49,545	\$1,269,631	\$(972,974)	\$28,455,109
Appropriation and distribution of 2015 earnings									
Legal reserve			1,104,826		(1,104,826)				-
Cash dividends					(570,617)				(570,617)
Other capital reserve									
Share-based payment transactions		6,116						111,886	118,002
Consolidated net income for 2016					4,781,458				4,781,458
Other comprehensive income for 2016					(19,431)	(46,309)	489,374		423,634
Total comprehensive income for 2016	-	-	-	-	4,762,027	(46,309)	489,374	-	5,205,092
Treasury Stock Acquired								(407,090)	(407,090)
Treasury Stock Retired	(500,000)	(124,125)			(514,413)			1,138,538	
Balance, December 31, 2016	\$11,512,343	\$62,323	\$6,437,699	\$48,970	\$13,106,560	\$3,236	\$1,759,005	\$(129,640)	\$32,800,496
Balance, January 1, 2017	\$11,512,343	\$62,323	\$6,437,699	\$48,970	\$13,106,560	\$3,236	\$1,759,005	\$(129,640)	\$32,800,496
Appropriation and distribution of 2016 earnings									
Legal reserve			1,434,438		(1,434,438)				-
Special Reserve				23,907	(23,907)				-
Cash dividends					(1,719,352)				(1,719,352)
Consolidated net income for 2017					5,610,534				5,610,534
Other comprehensive income for 2017					(6,118)	(27,353)	302,673		269,202
Total comprehensive income for 2017	-	-	-	-	5,604,416	(27,353)	302,673	-	5,879,736
Balance, December 31, 2017	\$11,512,343	\$62,323	\$7,872,137	\$72,877	\$15,533,279	\$(24,117)	\$2,061,678	\$(129,640)	\$36,960,880

King's Town Bank Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flows

(Expressed in thousands of dollars)

Item	2017	2016	Item	2017	2016
	Amount	Amount		Amount	Amount
Cash flows from operating activities			Cash flows from investing activities		
Profit before income tax from continuing operations	\$6,460,583	\$5,579,821	Decrease (Increase) in debt investments without active market	761,069	1,177,454
Adjustments :			Acquisition of property and equipment	(42,622)	(36,043)
Income and other adjustments with no cash flow effects			Proceeds from disposal of property and equipment	49,421	1,100
Reversal of provision for bad debts	670,584	111,058	Net cash (used in) provided by investing activities	767,868	1,142,511
Impairment Loss on financial assets	(145,717)	(369,825)			
Impairment Loss on non-financial assets	15,213	-			
Depreciation and amortization	51,122	51,192	Cash flows from financing activities		
Net interest income	(4,800,470)	(4,903,021)	Increase (decrease) in funds borrowed from Central Bank and banks	(2,496,280)	3,976,304
Share-based payment compensation cost	-	6,121	Increase (decrease) in bills and bonds sold under agreements to repurchase	5,806,458	(878,082)
Gain from sale or retirement of property and equipment	(5,294)	16,457	Payment of cash dividends	(1,719,352)	(570,617)
Changes in assets/liabilities relating to operating activities			Buyback of treasury stock	-	(407,090)
Increase in due from Central Bank and call loans to other banks	(250,112)	221,427	Treasury stock transferred to employees	-	111,881
Decrease in financial assets at fair value through profit or loss	(16,021,499)	(863,139)	Net cash flows from financing activities	1,590,826	2,232,396
(Increase) decrease in receivables	(1,166,579)	(314,339)			
(Increase) decrease in bills discounted and loans	(19,308,792)	(600,669)	Effects of exchange rate changes on cash and cash equivalents	(32,956)	(55,799)
(Increase) decrease in available-for-sale financial assets	5,343,303	(4,803,882)	Increase (decrease) in cash and cash equivalents	(21,100,914)	487,862
Decrease in held-to-maturity financial assets	(17,600,000)	-	Cash and cash equivalents at the beginning of periods	37,623,290	37,135,428
(Increase) decrease in other financial assets	(23,211)	(2,820)	Cash and cash equivalents at the end of periods	\$16,522,379	\$37,623,290
(Increase) decrease in other assets	(92,553)	(136,475)			
Increase in due to Central Bank and other banks	11,887,980	(6,778,691)	The components of cash and cash equivalents		
Increase in financial liabilities at fair value through profit or loss	92,956	7,960	Cash and cash equivalents presented in balance sheet	\$4,443,137	\$4,985,673
Increase (decrease) in payables	154,650	1,097,619	Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	9,513,467	29,531,322
Increase in deposits and remittances	6,635,571	4,369,313	Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	2,565,772	3,106,295
(Decrease) increase in other financial liabilities	830,000	70,000	Cash and cash equivalents at the end of periods	\$16,522,376	\$37,623,290
(Decrease) increase in liabilities reserve	(44,999)	(58,524)			
(Decrease) increase in other liabilities	40,790	3,222			
Interest received	6,166,186	6,297,215			
Cash paid for interest	(1,415,550)	(1,318,252)			
Income tax paid	(900,814)	(513,014)			
Net cash provided by (used in) operating activities	(23,426,652)	(2,831,246)			

King's Town Bank Co., Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016
(Expressed in thousands of dollars, unless otherwise indicated)

A. History and organization

1. King's Town Bank Co., Ltd. was formerly known as the Tainan Business Bank (henceforth the "Bank"), which was reorganized from the Tainan District Joint Saving Co., Ltd. on January 1, 1978. Subsequently on November 29, 2005, stockholders of the Bank approved the proposal to apply for reorganization of the Bank into a commercial bank and the Bank was renamed "King's Town Commercial Bank Co., Ltd."
2. Major business activities include: (a) Accepting checking deposit (b) Accepting other types of deposit (c) Issue bank debentures (d) Loans (e) Notes/Bills discounting (f) Investments (g) Domestic and foreign exchange & remittance (h) Bills acceptance (i) Issue domestic/overseas letter of credit (j) domestic and overseas guarantee business (k) Agent for bills payment & collection (l) Warehousing and agency services for the above items (m) All other activities approved by the government.
3. The Bank is also the Group's ultimate controlling person.
4. The number of employees for Group's is 963 and 956 for 2017 and 2016.

B. The date of authorization for issuance of the consolidated financial statements and procedures for authorization

The consolidated financial statements were approved and announced by the board of directors on February 26, 2018.

C. Summary of significant accounting policies

(1) Compliance statement

The consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Publicly Held Banks.

(2) Basis of preparation

The consolidated financial statements measured financial instrument at fair value, otherwise are expressed in thousands of new Taiwan dollar.

(3) Basis of consolidation

Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)	
			2017.12.31	2016.12.31
The Company	Tainan Life Insurance Agent Co., Ltd.	Insurance Agent	100.00%	100.00%
	Fu Chen Property Insurance Agent Co., Ltd.	Insurance Agent	100.00%	100.00%
	KTB International Leasing Co., Ltd.	Leasing	100.00%	100.00%
KTB				
International Leasing	KTB International Real Estate Management Co., Ltd.	Real Estate Management	100.00%	100.00%

Subsidiaries profits are NT\$ 355,377 and 3647,677 for 2017 and 2016, respectively.

D. Details of significant accounts

1. Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Cash	\$1,283,479	\$1,493,428
Foreign currency	207,590	205,154
Checks for clearing	1,572,749	1,532,393
Deposits in banks	1,379,319	1,754,698
Total	\$4,443,137	\$4,985,673

2. Due from Central Bank and call loans to other banks

	Dec. 31, 2017	Dec. 31, 2016
Reserve for deposits - account A	\$3,833,087	\$2,243,246
Reserve for deposits - account B	5,021,676	4,771,564
Reserve for deposits - foreign currency account	17,013	18,076
Deposits transferred to Central Bank	-	19,300,000
Call loans to banks	5,663,367	7,970,000
Total	\$14,535,143	\$34,302,886

3. Financial instrument at fair value through profit or loss

	Dec. 31, 2017	Dec. 31, 2016
<u>Financial assets held for trading</u>		
Stocks	\$3,201,462	\$1,895,454
Beneficiary Securities	450,010	3,990
Overseas Bonds	-	154,813
Domestic Bonds	17,603,936	3,126,561
Derivatives	22,191	61,613
Subtotal	21,277,599	5,242,431
<u>Financial assets designated as at FVTPL:</u>		
Convertible corporate bonds	329,256	342,925
Total	\$21,606,855	\$5,585,356

4. Securities purchased under resell agreements

	Dec. 31, 2017	Dec. 31, 2016
Government bonds	\$2,565,772	\$3,106,295

5. Receivables - net

	Dec. 31, 2017	Dec. 31, 2016
Accounts receivable	\$1,752,148	\$417,967
Interest receivable	972,483	906,421
Acceptance receivable	-	53,748
Clearing and settlement receivable	-	125,064
Other receivables	20,755	17,027
Total	2,745,386	1,520,227
Less: Allowance for bad debts	(75,968)	(49,750)
Net total	\$2,669,418	\$1,470,477

The changes in receivable doubtful accounts were as follows:

	2017	2016
Beginning balance	\$49,750	\$23,261
Current (reversal) provision	33,700	63,825
Written off	(18,256)	(46,925)
Recovery of written off	10,774	9,589
Ending balance	\$75,968	\$49,750

6. Discounts and loans - net

	Dec. 31, 2017	Dec. 31, 2016
Import and export bill	\$-	\$6,198
Overdraft	58,592	92,871
Loans	145,098,609	126,153,548
Overdue Loans	28,395	19,147
Total	145,185,596	126,271,764
Less: Allowance for bad debts	(2,237,731)	(2,020,314)
Net total	\$142,947,865	\$124,251,450

The changes in allowance for doubtful accounts were as follows:

	2017	2016
Beginning balance	\$2,020,314	\$1,916,673
Current (reversal) provision	612,378	(7,835)
Written off	(598,502)	(114,221)
Recovery of written off	209,483	228,141
Exchange rate effects	(5,942)	(2,444)
Ending balance	\$2,237,731	\$2,020,314

7. Available-for-sale financial assets

	Dec. 31, 2017	Dec. 31, 2016
Stocks	\$1,789,907	\$1,956,904
Government Bonds	20,001,161	24,894,543
Corporate Bonds	31,417,157	29,031,096
Equity Securities	19,601	-
Beneficiary certificates	321,154	391,444
Financial debentures	5,529,512	7,857,004
Total	59,078,492	64,130,991
Less: Accumulated impairment	-	(157,586)
Net total	\$59,078,492	\$63,973,405

8. Held-to-maturity financial assets

	Dec. 31, 2017	Dec. 31, 2016
Net total	\$17,600,000	\$-

9. Other financial assets- net

	Dec. 31, 2017	Dec. 31, 2016
Financial assets carried at cost	\$327,313	\$307,313
Non-loan Collectibles	-	-
Other	1,356	3,031
Total	328,669	310,344
Less: Allowance for bad debts	-	-
Net total	\$328,669	\$310,344

The changes in non-loan noncollectibles doubtful accounts were as follows:

	2017	2016
Beginning balance	\$-	\$21,600
Current (reversal) provision	4,886	-
Written off	(4,886)	(21,600)
Ending balance	\$-	\$-

10. Debts investment without active market - net

	Dec. 31, 2017	Dec. 31, 2016
Corporate Bonds	\$1,980,968	\$2,516,133
Financial debentures	-	225,904
Total	\$1,980,968	\$2,742,037

11. Property, plant, and equipment - net

	Land	Buildings	Transportation equipment	Miscellaneous equipment	Unfinished Construction	Total
Cost:						
Jan. 1, 2017	\$2,017,140	\$1,266,887	\$18,150	\$132,388	\$160	\$3,434,725
Additions	-	6,794	6,893	22,188	6,747	42,622
Disposals	(13,346)	(84,063)	(6,103)	(5,402)	-	(108,914)
Dec. 31, 2017	<u>11,209</u>	<u>1,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,092</u>
Jan. 1, 2016	\$2,017,140	\$1,328,128	\$20,382	\$104,391	\$-	\$3,470,041
Additions	-	-	2,100	33,783	160	36,043
Disposals	-	(61,241)	(4,332)	(5,786)	-	(71,359)
Dec. 31, 2016	<u>\$2,017,140</u>	<u>\$1,266,887</u>	<u>\$18,150</u>	<u>\$132,388</u>	<u>\$160</u>	<u>\$3,434,725</u>
Depreciation and loss:						
Jan. 1, 2017	\$-	\$875,640	\$12,497	\$84,858	\$-	\$972,995
Depreciation	-	20,414	3,540	27,168	-	51,122
Impairment	-	15,213	-	-	-	15,213
Disposals	-	(53,493)	(5,950)	(5,344)	-	(64,787)
Other changes	11,209	1,883	-	-	-	13,092
Dec. 31, 2017	<u>\$11,209</u>	<u>\$859,657</u>	<u>\$10,087</u>	<u>\$106,682</u>	<u>\$-</u>	<u>\$987,635</u>
Jan. 1, 2016	\$-	\$897,544	\$14,225	\$63,836	\$-	\$975,605
Depreciation	-	22,492	2,323	26,377	-	51,192
Disposals	-	(44,396)	(4,051)	(5,355)	-	(53,802)
Dec. 31, 2016	<u>\$-</u>	<u>\$875,640</u>	<u>\$12,497</u>	<u>\$84,858</u>	<u>\$-</u>	<u>\$972,995</u>
Net:						
Dec. 31, 2017	<u>\$2,003,794</u>	<u>\$331,844</u>	<u>\$8,853</u>	<u>\$42,492</u>	<u>\$6,907</u>	<u>\$2,393,890</u>
Dec. 31, 2016	<u>\$2,017,140</u>	<u>\$391,247</u>	<u>\$5,653</u>	<u>\$47,530</u>	<u>\$160</u>	<u>\$2,461,730</u>

12. Other assets - net

	Dec. 31, 2017	Dec. 31, 2016
Foreclosure		
Cost	\$-	\$53,900
Less: Accumulated impairment	-	(13,092)
Total	<u>-</u>	<u>40,808</u>
Prepayments	18,006	15,891
Clearing and settlement fund	609,829	504,569
Refundable deposits	99,514	69,889
Others	23,685	27,324
Net total	<u>\$751,034</u>	<u>\$658,481</u>

13. Deposits from Central Bank and other banks

	Dec. 31, 2017	Dec. 31, 2016
Deposits from banks	\$196	\$20
Due to other banks	22,269,232	10,381,428
Total	<u>\$22,269,428</u>	<u>\$10,381,448</u>

14. Loans from Central Bank and other banks

	Dec. 31, 2017	Dec. 31, 2016
Bankers acceptances and funds borrowed	<u>\$5,315,680</u>	<u>\$7,811,960</u>

15. Financial liabilities at fair value through profit or loss

	Dec. 31, 2017	Dec. 31, 2016
Financial liabilities at fair value		
Derivatives	<u>\$127,902</u>	<u>\$34,946</u>

16. Securities sold under repurchase agreements

	Dec. 31, 2017	Dec. 31, 2016
Government Bonds	\$6,419,000	\$3,820,500
Corporate Bonds	13,411,373	9,726,653
Financial Bonds	1,529,432	2,006,194
Total	<u>\$21,359,805</u>	<u>\$15,553,347</u>

17. Payables

	Dec. 31, 2017	Dec. 31, 2016
Accrued expenses	\$368,102	\$274,945
Interest payable	128,546	112,318
Check for clearance payable	1,572,749	1,532,393
Delivery payables	51,566	24,844
Other payables	310,848	316,433
Total	\$2,431,811	\$2,260,933

18. Deposits and remittances

	Dec. 31, 2017	Dec. 31, 2016
Checking accounts	\$2,383,496	\$2,197,413
Demand deposits	29,249,015	27,324,696
Time deposits	23,805,876	22,129,594
Savings deposits	124,944,505	122,100,415
Remittances	5,509	712
Total	\$180,388,401	\$173,752,830

19. Other financial liability

	Interest Rate	Dec. 31, 2017	Dec. 31, 2016
CHB Bills	1.04%	\$400,000	\$-
IBFC Bills	1.49%-1.56%	120,000	20,000
Mega Bills	1.5%-1.6%	80,000	30,000
TCB Bills	1.40%	80,000	-
ETFC Bills	1.40%	70,000	-
Grand Bills	1.41%	50,000	20,000
CBF Bills	1.44%	50,000	-
Taching Bills	1.56%	50,000	-
Total		\$900,000	\$70,000

20. Reserve for liabilities

	Dec. 31, 2017	Dec. 31, 2016
Employee benefit liabilities reserve	\$327,226	\$364,805
Guarantee reserve	146,533	126,960
Total	\$473,759	\$491,765

The changes in guarantee reserve were as follows:

	2017	2016
Beginning balance	\$126,960	\$71,932
Current (reversal) provision	19,620	55,068
Exchange rate effects	(47)	(40)
Ending balance	\$146,533	\$126,960

21. Employee benefit liabilities reserve

Defined contribution plans:

The plan under the Labor Pension Act (the "Act") is deemed a defined contribution plan. Under the Act, the Bank and domestic subsidiaries are required make monthly contributions no less than 6% of each employee's monthly salary to employees' pension accounts. The Bank and domestic subsidiaries have put in place an employee retirement plan in accordance with the Act and have made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

For the years ended 2017 and 2016, expense recognized in contribution and loss amounted to \$31,281 and \$30,120 thousand, respectively.

Defined benefit plans:

The group's defined benefit plan is expected to be raised by \$40,448 thousand in the next year.

Amounts of defined benefit plans cost recognised in comprehensive income statements are as follows:

	2017	2016
Current service costs	\$2,916	\$3,354
Interest cost	7,092	8,535
Expected return on plan assets	(2,791)	(2,865)
Total	\$7,217	\$9,024

Present value of the defined benefit obligations and fair value of plan assets adjust as follows:

	Dec. 31, 2017	Dec. 31, 2016
Present value of the defined benefit obligations	\$557,055	\$579,034
Fair value of plan assets	(229,829)	(214,229)
Accrued pension liability	\$327,226	\$364,805

22. Other liabilities

	Dec. 31, 2017	Dec. 31, 2016
Guarantee deposits received	\$56,728	\$17,057
Temporary receipts and suspense accounts	4,102	13,425
Others	273,432	262,990
Total	\$334,262	\$293,472

23. Equity

(1) Common stock

As of December 31, 2016, authorized capital and paid-in capital were \$30,000,000 and \$12,012,343 thousand, respectively, equivalent to 30,000,000 thousand and 1,201,234 thousand shares, respectively, with a par value of \$10 per share.

The Company commenced the cancellation of the repurchased treasury shares on January 18, 2016 and March 1, 2016, respectively, to maintain the Company's credit and shareholders' equity, representing 37,000 thousand shares and 13,000 thousand shares, approved by the competent authorities.

As of December 31, 2017, authorized capital was \$30,000,000 thousand, and paid-in capital was \$11,512,343 thousand, respectively, equivalent to 1,151,234 thousand shares with a par value of \$10 per share.

(2) Capital surplus

	Dec. 31, 2017	Dec. 31, 2016
Additional paid-In Capital-Common Stock	\$54,455	\$54,455
Treasury Stock Transactions	5,282	5,282
Others	2,586	2,586
Total	\$62,323	\$62,323

(3) Earnings distribution

The stockholders' meeting approved earnings distribution on May 17, 2017 and the board of directors on May 18, 2016 decided appropriation of earnings in 2016 and 2015 as follow:

Appropriation of Earnings	2016		2015	
	Amount	DPS	Amount	DPS
Legal reserve	\$1,434,438		\$1,104,826	
Surplus reserve	23,907			
Common stock cash dividends	1,719,351	\$1.5	570,617	\$0.5
Total	\$3,177,696		\$1,675,443	

24. Net interest income

	2017	2016
<u>Interest income</u>		
Loans	\$3,662,664	\$3,626,128
Due from and call loans to banks	155,740	236,434
Investment in marketable securities	2,307,987	2,312,687
Others	105,857	52,410
Subtotal	6,232,248	6,227,659

	2017	2016
<u>Interest expense</u>		
Deposits	(963,336)	(1,068,488)
Due to the Central Bank and call loans from banks	(235,812)	(126,614)
Bills and bonds sold under repurchase agreements	(232,434)	(129,089)
Others	(196)	(447)
Subtotal	(1,431,778)	(1,324,638)
Total	\$4,800,470	\$4,903,021

25. Net service income

	2017	2016
Service income	\$1,814,047	\$1,814,694
Service expense	(41,967)	(45,084)
Total	\$1,772,080	\$1,769,610

26. Gains and losses on financial assets or liabilities at fair value through profit or loss

	2017	2016
Stock investment	\$650,403	\$421,854
Debt investment	421,449	(21,177)
Derivative instruments	(59,612)	(56,727)
Others	591	3,165
Total	\$1,012,831	\$347,115

27. Reversal of impairment loss on assets

	2017	2016
Available-for-sale financial assets – Debt	\$145,717	\$369,825
Real estate and equipment - Buildings and Structures	(15,213)	-
Total	\$130,504	\$369,825

28. Operation expense

Employee benefit, depreciation and amortization expenses as follow:

	2017	2016
Employee benefit expense		
Wages and salaries	\$841,831	\$809,437
Labor and health insurance fees	64,431	60,554
Pension costs	38,498	39,144
Other personnel expenses	36,797	36,306
Depreciation	51,122	51,192
Total	\$1,032,679	\$996,633

29. Components of other comprehensive income

2017	Current period	Income tax expense	After tax
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	\$(7,372)	\$1,254	\$(6,118)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	(32,956)	5,603	(27,353)
Unrealized gain (loss) on available-for-sale financial assets	302,673	-	302,673
Total	\$262,345	\$6,857	\$269,202

2016	Current period	Income tax expense	After tax
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	\$(23,406)	\$3,975	\$(19,431)
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	(55,799)	9,490	(46,309)
Unrealized gain (loss) on available-for-sale financial assets	489,374	-	489,374
Total	\$410,169	\$13,465	\$423,634

30. Income tax

The details of income tax expense are as follows:

(1) Income tax recognized in profit or loss

	2017	2016
Current tax		
Current income tax	\$883,658	\$853,147
Adjustments for previous years	(3,114)	(31,710)
Deferred tax		
Origination and reversal of temporary differences tax	(37,680)	(23,074)
Unrecognized tax losses, income tax deductions or temporary differences for the previous year are recognized in the current year	7,185	-
Income tax expense	<u>\$850,049</u>	<u>\$798,363</u>

(2) Income tax recognized in other comprehensive income

	2017	2016
Deferred tax		
Exchange differences on translation of foreign financial statements	\$ (5,603)	\$(9,490)
Actuarial gains and losses on defined benefit plan	(1,254)	(3,975)
Recognized in other comprehensive income	<u>\$(6,857)</u>	<u>\$(13,465)</u>

(3) Reconciliation between income tax expense and accounting profit

	2017	2016
Income from continuing operation before income tax	<u>\$6,460,583</u>	<u>\$5,579,821</u>
Income tax expense calculated at the statutory rate	\$1,098,299	\$948,570
Tax-exempt income	(628,611)	(428,446)
Effects of items not recognized under relevant regulations	9,069	631
Adjusted deferred tax assets and liabilities for previous years	(27,886)	1,989
Income basic tax amount adjustment	243,859	109,565
Additional 10% tax payment levied on undistributed earnings	158,433	197,764
Adjustments in respect of previous years	(3,114)	(31,710)
Income tax expense recognized in profit or loss	<u>\$850,049</u>	<u>\$798,363</u>

(4) Information about Integrated Income Tax

	Dec. 31, 2017	Dec. 31, 2016
Balance of ICA	<u>\$1,752,343</u>	<u>\$1,463,360</u>

The company's creditable ratio for distribution of earnings of 2017 and 2016 was 11.28% and 17.65%, respectively.

31. Earnings per share

	2017	2016
(1) Basic earnings per share		
Net income for the periods attributable to owner of the parent (NT\$1,000)	\$5,610,534	\$4,781,458
Weighted-average shares of common stock outstanding (in thousands)	1,146,234	1,145,429
Basic earnings per share (NT\$1)	<u>\$4.89</u>	<u>\$4.17</u>
(2) Diluted earnings per share		
Net income for the periods attributable to owner of the parent (NT\$1,000)	\$5,610,534	\$4,781,458
Weighted-average shares of common stock outstanding (in thousands)	1,146,234	1,145,429
Effect of dilutive:	-	-
Weighted-average shares of common stock outstanding used to calculate diluted EPS (in thousands)	1,146,234	1,145,429
Diluted earnings per share (NT\$1)	<u>\$4.89</u>	<u>\$4.17</u>

E. Related party transactions

1. Names and relationship of related parties

Names of related parties	Relationship with the Company
Chen-Chih Tai	Chairman of the Bank
Chiung-Ting Tsai	Vice Chairman of the Bank
Shih-Chu Chien	President of the Bank(Leaved at September 26, 2017)
Ri-Zheng Zhang	President of the Bank (Newly elected at September 26, 2017)
Tian Gang Investment Co., Ltd	Director of the Bank
Ming-Tai Chen	Independent Director of the Bank
Yi Chiu	Independent Director of the Bank (Leaved at May 17, 2017)
Tsai- Feng Hou	Independent Director of the Bank (Leaved at May 17, 2017)
Chih-Chien Hsu	Independent Director of the Bank (Newly elected at May 17, 2017)
Chao-Long Chen	Independent Director of the Bank (Newly elected at May 17, 2017)
Others	Representative, second-degree relatives and related parties in substance of the bank's institutional stockholders and executive officers

2. Significant transactions between related parties and the Bank

(1) Deposits and loans

Accounts	Amount	Percentage of the account balance
<u>Dec. 31, 2017</u>		
Deposit	\$1,472,698	0.82%
Loan	47,474	0.03%
<u>Dec. 31, 2016</u>		
Deposit	\$350,830	0.20%
Loan	37,168	0.03%

Deposits and loans transactions between the bank and its related parties, with the exception of employees of the bank who are charged interest at a discounted rate in accordance with statutory requirements, are as the same as general customers.

(2) Lease

For the year ended 2017 and 2016, lease expense from leasing office from related parties were NT\$ 5,995 thousand and NT\$ 6,709 thousand, respectively.

(3) Loans

Dec. 31, 2017

Categories	No./name of related parties	Maximum balance	Ending balance	Settleman status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan	8	\$4,838	\$4,838	\$4,838	-	None	No difference
Home loan mortgage	7	37,813	37,514	37,514	-	Real estate	No difference
Others	○○, Huang	1,100	1,100	1,100	-	Real estate	No difference
	○○, Chou	3,000	3,000	3,000	-	Real estate	No difference
	○○, Wu	1,200	1,200	1,200	-	Real estate	No difference

Dec. 31, 2016

Categories	No./name of related parties	Maximum balance	Ending balance	Settleman status		Collateral	Loan conditions
				Normal loans	Overdue loans		
Consumer loan	7	\$3,923	\$3,784	\$3,784	-	None	No difference
Home loan mortgage	7	32,591	32,284	32,284	-	Real estate	No difference
Others	○○, Huang	1,100	1,100	1,100	-	Real estate	No difference

(4) Key management personnel compensation in total

	2017	2016
Short-term employee benefits	\$48,778	\$34,383
Post-employment benefits	1,896	1,951
Total	\$50,674	\$36,334

F. Pledged assets

The Bank has provided the following assets to serve as the operations reserve and collateral in accordance with the relevant regulations:

	Dec. 31, 2017	Dec. 31, 2016	Purpose of collateral
Current Financial Assets at Fair Value through Profit or Loss	\$3,326,990	\$-	Repurchase agreement
Available-for-sale financial assets	2,031,188	2,023,867	Preparation of various businesses and collateral
Available-for-sale financial assets	19,563,775	16,113,979	Repurchase agreement
Available-for-sale financial assets	9,257,097	13,361,195	Due to other banks
Bond Investments with no active market	722,240	1,724,597	Repurchase agreement
Bond Investments with no active market	361,555	658,651	Due to other banks
Total	\$35,262,845	\$33,882,289	

G. Significant contingent liabilities and unrecognised contract commitments

	Dec. 31, 2017	Dec. 31, 2016
Agency collection receivables	\$11,054,245	\$8,912,353
Guarantee receive	4,100,022	5,037,506
L/C receivable	89,563	83,299
Trust and items under custody	14,799,230	17,701,242
Agreed financing credit limit	25,627,607	25,842,761

H. In accordance with Article 17 of the Trust Enterprise Act, the Bank discloses its trust balance sheet, trust income statement and schedule of trust property as follows:

Trust Balance Sheet

Trust assets	Dec. 31, 2017	Dec. 31, 2016	Trust liabilities	Dec. 31, 2017	Dec. 31, 2016
Bank deposits	\$459,559	\$595,767	Payables	\$-	\$13,903
Stocks	87,000	123,676	Trust capital	14,732,407	17,622,041
Funds	10,913,450	12,122,193	Reserves and		
Bonds	-	-	accumulated surplus	4,823	3,298
Real estate	2,683,822	4,190,304			
Others	593,399	607,302			
Total trust assets	\$14,737,230	\$17,639,242	Total trust liabilities	\$14,737,230	\$17,639,242

Trust Income Statement

Item	2017	2016
Trust income		
Interest income	\$393	\$670
Rental income	4,430	2,631
Subtotal	4,823	3,301
Trust expenses		
Tax expenses	-	(3)
Service fee expense	-	-
Subtotal	-	(3)
Net income before tax	4,823	3,298
Income tax expense	-	-
Net income	\$4,823	\$3,298

Trust Property List

Investment Item	Dec. 31, 2017	Dec. 31, 2016
Bank deposits	\$459,559	\$595,767
Bonds	87,000	123,676
Stocks	10,913,450	12,122,193
Real estate		
Land	2,401,672	3,582,263
Buildings and structures	282,150	258,272
Land improvements	-	349,769
Others	593,399	607,302
Total	\$14,737,230	\$17,639,242

I. Significant catastrophic losses: Nil.

J. Fair value information of financial instruments

(1) Fair value information of financial instruments

Financial assets:

	Dec. 31, 2017		Dec. 31, 2016	
	Book value	Fair value	Book value	Fair value
Financial assets at fair value through profit or loss:				
Held for trading	\$21,277,599	\$21,277,599	\$5,242,431	\$5,242,431
Financial assets at fair value through profit or loss	329,256	329,256	342,925	342,925
Available-for-sale financial assets	59,405,805	59,405,805	64,280,718	64,280,718
Loans and receivables:				
Cash and cash equivalents	2,952,068	2,952,068	3,287,091	3,287,091
Due from Central Bank and call loans to other banks	14,535,143	14,535,143	34,302,886	34,302,886
Investments in bills and bonds under resale agreements	2,565,772	2,565,772	3,106,295	3,106,295
Receivables	2,669,418	2,669,418	1,470,477	1,470,477
Bills discounted and loans	142,947,865	142,947,865	124,251,450	124,251,450
Other financial assets	1,356	1,356	3,031	3,031
Bond Investments with no active market	1,980,968	2,057,821	2,742,037	2,912,417

Financial liabilities:

	Dec. 31, 2017		Dec. 31, 2016	
	Book value	Fair value	Book value	Fair value
Financial liabilities at cost:				
Due to Central Bank and other banks	\$22,269,428	\$22,269,428	\$10,381,448	\$10,381,448
Bankers acceptances and funds borrowed	5,315,680	5,315,680	7,811,960	7,811,960
Bills and bonds sold under repurchase agreements	21,359,805	21,359,805	15,553,347	15,553,347
Payables	2,431,811	2,431,811	2,260,933	2,260,933
Deposits and remittances	180,388,401	180,388,401	173,752,830	173,752,830
Financial liabilities at fair value through profit or loss:				
Held for trading	127,902	127,902	34,946	34,946

Derivative financial instruments:

Item	Contracted Amount	Fair Value
Dec. 31, 2017		
Foreign Currency Swaps	\$3,417,704	\$(105,711)
Dec. 31, 2016		
Foreign Currency Swaps	\$2,206,130	\$26,667

K. Management objective and policy for financial risk

(1) Credit risk concentration

The credit risks are deemed significantly concentrated when the financial instrument transactions significantly concentrate on a single person, or when there are multiple trading counterparties engaging in similar business activities with similar economic characteristics making the effects on their abilities of fulfilling the contractual obligation due to economy or other forces similar.

The credit risks of the Group concentrate on accounts and off balance sheet that occurs through obligation fulfilling or implementation of transactions (either product or service), or through trans-type exposure portfolio, including loans, placements and call loan from the banks, securities investment, receivables and derivatives. The Group does not significantly carry out transactions with single client or single counterparty, and the credit risk concentration by industry, location and collateral are shown as follows:

① Industry

Industry	Dec. 31, 2017		Dec. 31, 2016	
	Amount	%	Amount	%
Privately owned businesses	\$112,255,126	77	\$94,031,961	75
Governmental institutions	-	-	-	-
Non-profit organizations	181,114	-	180,372	-
Individuals	32,749,356	23	32,059,431	25
Financial institutions	-	-	-	-
Total	\$145,185,596	100	\$126,271,764	100

② Geography location

The Group's principal business is in Taiwan, there is no significant concentration of credit risk on geography location.

③ Collateral

Collateral	Dec. 31, 2017		Dec. 31, 2015	
	Amount	%	Amount	%
Unsecured	\$40,211,389	28	\$25,967,558	21
Secured				
-Financial collateral	18,638,770	13	19,307,453	15
-Receivables	-	-	-	-
-Real estate	68,426,162	47	63,512,591	50
-Guaranteed	1,483,894	1	1,432,063	1
-Other collateral	16,425,381	11	16,052,099	13
Total	\$145,185,596	100	\$126,271,764	100

(2) Exchange rate risk concentration

Foreign-currency assets and liabilities:

	Dec. 31, 2017			Dec. 31, 2016		
	Foreign Currency	Exchange Rate	NTD	Foreign Currency	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	\$1,472,571	29.85	\$43,953,303	\$1,238,520	32.28	\$39,978,178
HKD	8,737	3.82	33,367	11,720	4.16	48,781
AUD	4,156	23.25	96,651	2,624	23.29	61,109
JPY	3,052,565	0.26	808,625	3,185,584	0.28	878,265
EUR	3,636	35.68	129,716	3,289	33.93	111,587
CNY	849,967	4.58	3,892,425	811,546	4.62	3,751,289
Non-monetary items	-	-	-	-	-	-
Financial liabilities						
Monetary items						
USD	\$1,427,916	29.85	\$42,620,427	\$1,178,418	32.28	\$38,038,152
HKD	8,268	3.82	31,576	9,410	4.16	39,165
AUD	40,932	23.25	951,849	28,393	23.29	661,255
JPY	1,015,044	0.26	268,885	502,008	0.28	138,403
EUR	3,318	35.68	118,371	7,861	33.93	266,722
CNY	349,800	4.58	1,601,909	366,712	4.62	1,695,090
Non-monetary items	-	-	-	-	-	-

L. Business segment financial information

<u>2017</u>	Branch business	Financial market	Adjustment	Total
Interest income	\$2,920,379	\$1,880,091	\$ -	\$4,800,470
Service fees	1,772,080	-	-	1,772,080
Investments revenues	60,832	2,275,525	-	2,336,357
Others	96,538	-	-	96,538
Total revenues	4,849,829	4,155,616	-	9,005,445
Depreciation and amortization	29,168	21,954	-	51,122
Operating expenses	1,607,546	215,610	-	1,823,156
Other significant non-cash items				
Provision for doubtful accounts	670,584	-	-	670,584
Segment income	\$2,542,531	\$3,918,052	\$ -	\$6,460,583
<u>2016</u>	Branch business	Financial market	Adjustment	Total
Interest income	\$2,764,122	\$2,138,899	\$ -	\$4,903,021
Service fees	1,769,610	-	-	1,769,610
Investments revenues	9,000	738,390	-	747,390
Others	104,738	-	-	104,738
Total revenues	4,647,470	2,877,289	-	7,524,759
Depreciation and amortization	30,478	20,714	-	51,192
Operating expenses	1,575,605	207,083	-	1,782,688
Other significant non-cash items				
Provision for doubtful accounts	111,058	-	-	111,058
Segment income	\$2,930,329	\$2,649,492	\$ -	\$5,579,821
	Branch business	Financial market	Adjustment	Total
Dec. 31, 2017 Segment assets	\$166,053,907	\$104,847,336	\$275,018	\$271,176,261
Dec. 31, 2016 Segment assets	\$167,722,881	\$76,125,253	\$235,828	\$244,083,962

Table 1

Business relationships and material transactions:

Number (Note1)	Main Party	Counterparty	Relationship (Note2)	Jan.1, 2017 ~ Dec. 31, 2017			
				Transactions			
				Account	Amount	Terms	% of consolidated operating revenues or consolidated total assets
0	The Bank	Tainan Life Insurance Agent Co., Ltd.	1	Deposits and remittances	295,601	General	0.11%
0	The Bank	Tainan Life Insurance Agent Co., Ltd.	1	Fee income	52,875	General	0.59%
0	The Bank	Tainan Life Insurance Agent Co., Ltd.	1	Other non-interest income	1,152	General	0.01%
0	The Bank	Fu Chen Property Insurance Agent Co., Ltd.	1	Deposits and remittances	5,889	General	-
0	The Bank	Fu Chen Property Insurance Agent Co., Ltd.	1	Fee income	1,566	General	0.02%
0	The Bank	Fu Chen Property Insurance Agent Co., Ltd.	1	Other non-interest income	360	General	-
0	The Bank	KTB International Leasing Co., Ltd.	1	Deposits and remittances	26,623	General	0.01%
0	The Bank	KTB International Leasing Co., Ltd.	1	Other non-interest income	858	General	0.01%
0	The Bank	KTB International Real Estate Management Co., Ltd.	1	Deposits and remittances	3,466	General	-
0	The Bank	KTB International Real Estate Management Co., Ltd.	1	Other non-interest income	120	General	-

Note 1: Business between the parent and subsidiaries is numbered as follows:

(1) Parent: 0.(2) Subsidiaries are numbered from 1 in order.

Note 2: Relationship between the main party and the counterparty is numbered as follows:

(1) Parent to subsidiary.(2) Subsidiary to parent.(3) One subsidiary to another subsidiary.

Table 2

Holding of securities at the end of the period (excluding the portion held due to investment in a subsidiary or an associate, and the portion held due to an interest in a joint venture):

Company	Securities name	Relations	Account	End of Year				Note
				Shares	Amount	Ratio	Fair value	
KTB International Leasing Co., Ltd.	Bank of Panhsin Co., Ltd.	Financial Assets Carried at Cost –Non Current	Financial Assets Carried at Cost –Non Current	10,000	\$100,000	0.74%	\$ -	
	Hoyii Life Co., LTD.	Financial Assets Carried at Cost –Non Current	Financial Assets Carried at Cost –Non Current	526	20,000	2.49%	-	
	Forest water environmental eng'g Co., LTD.	Available-for-Sale Financial Assets - Current	Available-for-Sale Financial Assets - Current	3,500	216,300	2.65%	216,300	
Tainan Life Insurance Agent Co., Ltd.	MiTAC Holdings Co., LTD.	Available-for-Sale Financial Assets - Current	Available-for-Sale Financial Assets - Current	3,880	138,516	0.47%	138,516	
KTB International Real Estate Management Co., Ltd.	Mithus Co., LTD.	Available-for-Sale Financial Assets - Current	Available-for-Sale Financial Assets - Current	3	30	3.00%	30	

Note: The financial assets carried at cost are non-active market quotations and the fair value can not be measured reliably.

Table 3

Details of Assessed Impairment of Loans and Receivable

Loans

Item		Dec. 31, 2017		Dec. 31, 2016	
		Loans	Allowance	Loans	Allowance
Objective evidence of impairment	Individual assessment of impairment	\$249,100	\$141,047	\$328,948	\$146,696
	Combined assessment of impairment	261,029	73,050	287,859	87,045
Nonobjective evidence of impairment	Combined assessment of impairment	144,675,467	2,023,634	125,654,957	1,786,573

Note: The amount of loans did not include the amount of allowance for loan losses and adjustment for discount (premium).

Receivables

Item		Dec. 31, 2017		Dec. 31, 2016	
		Receivable	Allowance	Receivable	Allowance
Objective evidence of impairment	Individual assessment of impairment	\$11,454	\$8,428	\$12,218	\$12,124
	Combined assessment of impairment	4,647	1,867	6,797	2,732
Nonobjective evidence of impairment	Combined assessment of impairment	2,729,285	65,673	1,501,212	34,894

Note: The amount of receivable did not include the amount of allowance for receivables and adjustment for discount (premium).

Table 4

Asset Quality

Nonperforming loans and receivables

Units: NT\$1,000 / %

Business Type \ Item		Dec. 31, 2017					Dec. 31, 2016				
		Nonperforming loans (Note 1)	Loans	Nonperforming loans ratio (Note 2)	Allowance for loan losses	Coverage ratio (Note 3)	Nonperforming loans (Note 1)	Loans	Nonperforming loans ratio (Note 2)	Allowance for loan losses	Coverage ratio (Note 3)
Corporate finance	Secured	\$18,442	\$85,712,870	0.02%	\$1,122,723	6,087.86%	\$13,236	\$79,654,331	0.02%	\$1,180,094	8,915.79%
	Unsecured	-	40,628,343	-	858,822	-	-	26,732,490	-	583,507	-
Consumer finance	Mortgage loans(Note 4)	14,888	11,089,118	0.13%	93,448	627.67%	14,151	12,023,264	0.12%	110,207	778.79%
	Cash cards	-	-	-	-	-	-	-	-	-	-
	Credit loans(Note 5)	804	114,758	0.70%	108,214	13,459.45%	611	178,749	0.34%	82,616	13,521.44%
	Others(Note6)										
	Secured	-	7,640,507	-	54,524	-	2,335	7,682,930	0.03%	63,890	2,736.19%
	Unsecured	-	-	-	-	-	-	-	-	-	-
Subtotal		\$34,134	\$145,185,596	0.02%	\$2,237,731	6,555.68%	\$30,333	\$126,271,764	0.02%	\$2,020,314	6,660.37%
		Delinquency	Receivables	Deliquence Ratio	Allowance	Coverage ratio	Delinquency	Receivables	Deliquence Ratio	Allowance	Coverage ratio
Credit card		\$1,379	\$1,379	100.00%	\$1,487	107.83%	\$2,149	\$2,149	100%	\$8,132	378.41%
Accounts receivable factoring with no recourse (Note 7)		-	-	-	-	-	-	-	-	-	-

Note 1: Nonperforming loans are in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by MOF.

Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note 2: Nonperforming loans ratio = Nonperforming loans ÷ Loans

Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note 3: Coverage ratio of allowance for loan losses = Allowance for loan losses ÷ Nonperforming loans

Note 4: Mortgage loans are for applicants to build or repair the buildings owned by the applicants, their spouses or their minor children. These applicants provide their buildings as collaterals and assign the right on mortgage to financial institutions.

Note 5: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note 6: The others of consumer financial business are defined as secured or unsecured consumer financial business excluding mortgage loans, cash cards, credit loans and credit cards.

Note 7: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494), accounts receivable without recourse are classified as non-performing loans if not compensated by the factor or insurance company within year.

Table 5

Exempted from report as nonperforming loans and receivables

	Dec. 31, 2017		Dec. 31, 2016	
	Exempted from report as nonperforming loans	Exempted from report as nonperforming receivables	Exempted from report as nonperforming loans	Exempted from report as nonperforming receivables
Amounts negotiated in accordance with the agreement (Note 1)	\$8,473	\$130	\$12,568	\$155
Loans executed in accordance with debt clearing and renewal regulations (Note 2)	26,012	152	37,220	195
Total	\$34,485	\$282	\$49,788	\$350

Note 1: Disclosed in accordance with the Letter issued by the Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note 2: Disclosed in accordance with the letter issued by the Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

Table 6

Concentration of Credit Risk

Units: NT\$1,000 / %

Year	Dec. 31, 2017			Dec. 31, 2016		
	Rank (Note 1)	Transaction Party (Note 2)	Loans (Note 3)	As proportion of net equity (%)	Transaction Party (Note 2)	Loans (Note 3)
1	Group A–Construction Engineering industry	7,378,660	19.96%	Group A–Construction Engineering industry	7,514,800	22.91%
2	Group B–Cable and Other Subscription programming	5,901,648	15.97%	Group B–Other appliances manufacturing	6,755,058	20.60%
3	Group C–Other appliances manufacturing	4,855,907	13.14%	Group C–Cable and Other Subscription programming	6,107,079	18.62%
4	Group D–Other financial service	4,700,000	12.72%	Group D–Other financial service	4,700,000	14.33%
5	Group E–Manufacture of Electric Wires and Cables	4,271,453	11.56%	Group E–Electricity supply	4,097,429	12.49%
6	Group F–Electricity supply	3,817,817	10.33%	Group F–Real estate development activities	3,120,306	9.51%
7	Group G–Television broadcasting industry	3,290,423	8.90%	Group G–Television broadcasting industry	3,023,802	9.22%
8	Group H–Wholesale of General Merchandise	2,900,000	7.85%	Group H–Other information service	1,936,740	5.91%
9	Group I–Real Estate Activities for Sale and Rental with Own or Leased Property	2,755,900	7.46%	Group I–Glass container manufacturing	1,855,702	5.66%
10	Group J–Real estate development activities	2,739,706	7.41%	Group J–Investment advisory	1,562,949	4.77%

Note 1: Sorted by the balance of loans excluding government or state-owned business. If borrowers belong to the same business group, the aggregated credit amount of the business group is disclosed, and code and industry additionally disclosed. If the borrower is a business group, the industry with the largest risk exposures in the business group is disclosed. The industry disclosure should follow the guidelines of Directorate-General of Budget, Accounting and Statistics.

Note 2: Transaction party is in accordance with Article 6 of the Supplementary Provisions of the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note 3: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Table 7

Interest Rate Sensitivity (NTD)

Jan.1, 2017 ~ Dec. 31, 2017

Units: NTD\$1,000 / %

Item	1-90 Days	91-180 Days	181 Days-1 Year	More than 1 year	Total
Interest-sensitive assets	\$159,323,926	\$5,460,237	\$787,967	\$39,405,511	\$204,977,641
Interest-sensitive liabilities	150,601,402	9,170,569	19,256,612	2,218,205	181,246,788
Interest sensitivity gap	8,722,524	(3,710,332)	(18,468,645)	37,187,306	23,730,853
Net equity					32,920,983
Ratio of interest-sensitive assets to liabilities					113.09
Ratio of interest sensitivity gap to net equity					72.08

Jan.1, 2016 ~ Dec. 31, 2016

Units: NTD\$1,000 / %

Item	1-90 Days	91-180 Days	181 Days-1 Year	More than 1 year	Total
Interest-sensitive assets	\$153,274,799	\$3,981,389	\$966,637	\$28,485,864	\$186,708,689
Interest-sensitive liabilities	129,876,406	10,686,068	20,625,072	3,431,608	164,619,154
Interest sensitivity gap	23,398,393	(6,704,679)	(19,658,435)	25,054,256	22,089,535
Net equity					29,148,693
Ratio of interest-sensitive assets to liabilities					113.42
Ratio of interest sensitivity gap to net equity					75.78

Note 1: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note 2: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note 3: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note 4: Ratio of interest-sensitive assets to interest-sensitive liabilities = Interest-sensitive assets / Interest-sensitive liabilities

Table 7-1

Interest Rate Sensitivity (USD)

Jan.1, 2017 ~ Dec. 31, 2017

Units: US\$1,000 / %

Item	1-90 Days	91-180 Days	181 Days-1 Year	More than 1 year	Total
Interest-sensitive assets	\$254,820	\$48,486	\$41,096	\$1,094,162	\$1,438,564
Interest-sensitive liabilities	1,311,486	44,838	66,545	-	1,422,869
Interest sensitivity gap	(1,056,666)	3,648	(25,449)	1,094,162	15,695
Net equity					135,312
Ratio of interest-sensitive assets to liabilities					101.10
Ratio of interest sensitivity gap to net equity					11.60

Jan.1, 2016 ~ Dec. 31, 2016

Units: US\$1,000 / %

Item	1-90 Days	91-180 Days	181 Days-1 Year	More than 1 year	Total
Interest-sensitive assets	\$116,812	\$4,178	\$9,962	\$1,076,745	\$1,207,697
Interest-sensitive liabilities	1,048,379	69,120	57,643	-	1,175,142
Interest sensitivity gap	(931,567)	(64,942)	(47,681)	1,076,745	32,555
Net equity					114,552
Ratio of interest-sensitive assets to liabilities					102.77
Ratio of interest sensitivity gap to net equity					28.42

Note 1: The amounts listed above include amounts in N.T. dollars only (i.e., excluding foreign currency) for both head office and domestic branches.

Note 2: Interest-sensitive assets and liabilities are interest-bearing assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note 3: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note 4: Ratio of interest-sensitive assets to interest-sensitive liabilities = Interest-sensitive assets / Interest-sensitive liabilities

Table 8

Profitability

Unit:%

Item		Dec. 31, 2017	Dec. 31, 2016
Return on assets	Pretax	2.51	2.32
	After tax	2.18	1.99
Return on net equity	Pretax	18.52	18.22
	After tax	16.08	15.61
Profit margin		62.30	63.54

Note 1: Return on assets = Income before (after) tax / Average assets

Note 2: Return on net equity = Income before (after) tax / Average net equity

Note 3: Profit margin = Income after tax / Net revenue and Gains

Table 9

Maturity analysis of assets and liabilities (NTD)

Dec. 31, 2017

Units: NT\$1,000

	Total	Period remaining until due date and amount due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More than 1 year
Major maturity cash inflow	\$221,798,037	\$59,096,729	\$7,726,761	\$17,319,568	\$31,304,964	\$106,350,015
Major maturity cash inflow	244,680,035	30,544,158	34,910,431	30,588,018	41,557,742	107,079,686
Gap	(22,881,998)	28,552,571	(27,183,670)	(13,268,450)	(10,252,778)	(729,671)

Dec. 31, 2016

Units: NT\$1,000

	Total	Period remaining until due date and amount due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More than 1 year
Major maturity cash inflow	\$200,819,512	\$46,742,357	\$11,452,024	\$17,294,293	\$30,247,056	\$95,083,782
Major maturity cash inflow	223,798,160	22,402,917	29,845,556	30,793,588	40,597,179	100,158,920
Gap	(22,978,648)	24,339,440	(18,393,532)	(13,499,295)	(10,350,123)	(5,075,138)

Table 9-1

Maturity analysis of assets and liabilities (USD)

Dec. 31, 2017

Units: US\$1,000

	Total	Period remaining until due date and amount due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More than 1 year
Major maturity cash inflow	\$1,559,338	\$96,109	\$34,611	\$44,139	\$49,089	\$1,335,390
Major maturity cash inflow	1,606,687	1,113,119	136,604	78,781	134,282	143,901
Gap	(47,349)	(1,017,010)	(101,993)	(34,642)	(85,193)	1,191,489

Dec. 31, 2016

Units: US\$1,000

	Total	Period remaining until due date and amount due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More than 1 year
Major maturity cash inflow	\$1,278,986	\$56,318	\$31,694	\$18,242	\$14,209	\$1,158,523
Major maturity cash inflow	1,330,843	877,030	141,106	96,225	101,930	114,552
Gap	(51,857)	(820,712)	(109,412)	(77,983)	(87,721)	1,043,971

Table 10

Capital Adequacy (Note 1)

Units: NT\$1,000

Item		Year	Dec. 31, 2017	Dec. 31, 2016	
Capital		Common equity	\$34,540,390	\$30,576,318	
		Additional tier 1 capital	-	-	
		Tier 2 capital	1,371,984	1,286,745	
		Capital	35,912,374	31,863,063	
Risk weighted assets	Credit risk	Standardized approach	189,364,260	172,269,879	
		Internal rating based approach (IRB)	-	-	
		Asset securitization	-	-	
	Operating risk	Basic indicator approach (BIA)	13,659,885	12,491,079	
		Standardized approach / Optional Standardized approach	-	-	
		Advanced approach	-	-	
	Market risk	Standardized approach	24,201,891	13,318,991	
		Internal model approach	-	-	
			Total risk weighted assets	227,226,036	198,079,949
			Capital adequacy ratio	15.80%	16.09%
		Common equity to risk weighted assets ratio	15.20%	15.44%	
		Tier 1 capital to risk weighted assets ratio	15.20%	15.44%	
		Leverage ratio	11.95%	11.71%	

Note 1: Capital adequacy should be disclosed current and same period for the years ended December 31.

Note 2: Formula:

- (1) Capital = Common equity + Additional Tier 1 capital + Tier 2 capital
- (2) Risk-weighted assets = Credit risk-weighted assets + (Operation risk Capital + Market risk Capital) × 12.5
- (3) Capital Adequacy = Capital ÷ Risk-weighted assets
- (4) Common equity to risk weighted assets ratio = Common equity ÷ Risk-weighted assets
- (5) Tier 1 capital to risk weighted assets ratio = (Common equity + Other Tier 1 capital) ÷ Risk-weighted assets
- (6) Leverage ratio = Tier 1 capital ÷ Total risk exposure

King's Town Bank Co., Ltd.

Financial Statements

For the Years Ended

December 31, 2017 and 2016

Address: No.506, Sec. 1, Ximen Rd., West Central Dist., Tainan City, Taiwan
Tel: 886-6-213-9171

King's Town Bank Co., Ltd.
Balance Sheets
(Expressed in Thousands of New Taiwan Dollar)

Assets		December 31, 2017		December 31, 2016	
Code		Amount	%	Amount	%
10000	Assets				
11000	Cash and cash equivalents	\$4,403,324	2	\$4,526,575	2
11500	Due from the Central Bank and interbank borrowing	14,535,143	5	34,302,886	14
12000	Financial assets measured at fair value through profit or loss	21,606,855	8	5,585,356	2
12500	Securities purchased under resell agreements	2,565,772	1	3,106,295	2
13000	Receivables – net	950,065	-	1,073,268	1
13500	Bills discounted and loans – net	142,947,865	53	124,251,450	51
14000	Available-for-sale financial assets	58,723,646	22	63,791,755	26
14500	Held-to-maturity financial assets	17,600,000		-	-
15000	Investment accounted for using equity method	1,066,561	7	997,671	-
15500	Other financial assets – net	208,669	-	210,344	-
15513	Debt investments without active market	1,980,968	-	2,742,037	1
18500	Property and equipment – net	2,392,392	1	2,461,369	1
19300	Deferred tax assets	267,833	1	235,828	-
19500	Other assets – net	745,778	-	653,899	-
	Total assets	\$269,994,871	100	\$243,938,733	100

King's Town Bank Co., Ltd

Balance Sheet

(Expressed in Thousands of New Taiwan Dollar)

Liabilities & Shareholders' Equity		December 31, 2017		December 31, 2016	
Code		Amount	%	Amount	%
20000	Liabilities				
21000	Deposits from the Central Bank and banks	\$22,269,428	8	\$10,381,448	5
21500	Due to the Central Bank and other banks	4,775,680	2	7,746,960	3
22000	Financial liabilities measured at fair value through profit or loss	127,902	-	34,946	-
22500	Securities sold under repurchase agreements	21,359,805	8	15,553,347	6
23000	Payables	2,419,466	1	2,242,415	1
23200	Current income tax liabilities	544,736	-	527,028	-
23500	Deposits and remittances	180,719,981	67	173,827,862	71
25600	Provisions	473,759	-	491,765	-
29300	Deferred income tax liabilities	50,135	-	55,482	-
29500	Other liabilities	293,099	-	276,984	-
	Total liabilities	233,033,991	86	211,138,237	86
31000	Stockholders' equity				
31100	Capital	11,512,343	4	11,512,343	5
31500	Additional Paid-In Capital	62,323	-	62,323	-
32000	Retained Earnings				
32001	Legal Reserve	7,872,137	3	6,437,699	3
32003	Special Reserve	72,877	-	48,970	-
32011	Unappropriated earnings	15,533,279	6	13,106,560	5
32500	Other equity	2,037,561	1	1,762,241	1
32600	Treasury Stock	(129,640)	-	(129,640)	-
	Total Equity	36,960,880	14	32,800,496	14
	Total liabilities and equity	\$269,994,871	100	\$243,938,733	100

King's Town Bank Co., Ltd
Comprehensive Income Statements
(Expressed in Thousands of New Taiwan Dollar)

		2017		2016	
		Amount	%	Amount	%
41000	Interest income	\$6,162,590	69	\$6,209,013	84
51000	Less: Interest expense	(1,423,685)	(16)	(1,323,391)	(18)
	Net interest income	4,738,905	53	4,885,622	66
	Net income other than interest				
49100	Net service fee and commission income	1,445,428	17	1,258,726	17
49200	Gain (loss) on financial assets or liabilities measured at fair value through profit and loss	1,012,831	11	347,115	5
49300	Realized gain (loss) on available-for-sale financial assets	1,070,351	12	5,503	-
49600	Foreign exchange gain (loss), net	94,866	1	69,298	1
47003	The share of subsidiaries, affiliates and joint venture using the equity method	363,822	4	368,116	5
49700	Reversal of impairment loss on assets	130,504	2	369,825	5
49800	Other non-interest incomes				
49805	Financial Assets Carried at Cost	24,787	-	26,461	-
49813	Net investment gain (loss) on debts investment without active market	12,590	-	8,117	-
49863	Net gain (loss) on disposal of property, plant and equipment	5,294	-	(16,457)	-
49899	Other miscellaneous net income	(20,777)	-	32,289	1
	Revenue	8,878,601	100	7,354,615	100
58200	Provision losses for bad debt expenses and guarantee reserve	(639,497)	(7)	(59,645)	(1)
58400	Operating expenses				
58500	Employee benefit expense	(961,351)	(11)	(923,633)	(12)
59000	Depreciation and amortization	(50,954)	(1)	(51,144)	(1)
59500	Other general and administrative expenses	(826,544)	(9)	(822,513)	(11)
61000	Consolidated income (loss) from continuing operations before income tax	6,400,255	72	5,497,680	75
61003	Income tax expense	(789,721)	(9)	(716,222)	(10)
64000	Net income	\$5,610,534	63	\$4,781,458	65
65000	Other comprehensive income				
65200	Items that will not be reclassified to profit or loss				
65201	Remeasurements of defined benefit plans	(7,372)	-	(23,406)	-
65220	Related tax effects	1,254	-	3,975	-
65300	Items that may be subsequently reclassified to profit or loss				
65301	Exchange differences on translation of foreign operations	(32,956)	-	(55,799)	(1)
65302	Unrealized gain (loss) on available-for-sale financial assets	273,701	3	502,569	7
65307	Share of profit of associates & joint ventures accounted for using equity method	28,972	-	(13,195)	-
65320	Related tax effects	5,603	-	9,490	-
	Other Comprehensive Income after Tax for current period	269,202	3	423,634	6
66000	Total Comprehensive Income after Tax	\$5,879,736	66	\$5,205,092	71
	Earnings per share (Dollar)				
67500	Basic earnings per share	\$4.89		\$4.17	
67700	Diluted earnings per share	\$4.89		\$4.17	

King's Town Bank Co., Ltd.
Statements of Changes in Equity
(Expressed in Thousands of New Taiwan Dollar)

	Common stock	Capital surplus	Retained Earnings			Other equity interest		Treasury Stock	Total
			Legal reserve	Special reserve	Undistributed earnings	Exchange Differences on Translation of Foreign Operations	Unrealized gain (loss) on available-for-sale financial assets		
Balance, January 1, 2016	\$12,012,343	\$180,332	\$5,332,873	\$48,970	\$10,534,389	\$49,545	\$1,269,631	\$(972,974)	\$28,455,109
Appropriation and distribution of 2015 earnings									
Legal reserve			1,104,826		(1,104,826)				-
Cash dividends					(570,617)				(570,617)
Other capital reserve									
Share-based payment transactions		6,116						111,886	118,002
Consolidated net income for 2016					4,781,458				4,781,458
Other comprehensive income for 2016					(19,431)	(46,309)	489,374		423,634
Total comprehensive income for 2016	-	-	-	-	4,762,027	(46,309)	489,374	-	5,205,092
Treasury Stock Acquired								(407,090)	(407,090)
Treasury Stock Retired	(500,000)	(124,125)			(514,413)			1,138,538	
Balance, December 31, 2016	\$11,512,343	\$62,323	\$6,437,699	\$48,970	\$13,106,560	\$3,236	\$1,759,005	\$(129,640)	\$32,800,496
Balance, January 1, 2017	\$11,512,343	\$62,323	\$6,437,699	\$48,970	\$13,106,560	\$3,236	\$1,759,005	\$(129,640)	\$32,800,496
Appropriation and distribution of 2016 earnings									
Legal reserve			1,434,438		(1,434,438)				-
Special reserve				23,907	(23,907)				-
Cash dividends					(1,719,352)				(1,719,352)
Consolidated net income for 2017					5,610,534				5,610,534
Other comprehensive income for 2017					(6,118)	(27,353)	302,673		269,202
Total comprehensive income for 2017	-	-	-	-	5,604,416	(27,353)	302,673	-	5,879,736
Balance, December 31, 2017	\$11,512,343	\$62,323	\$7,872,137	\$72,877	\$15,533,279	\$(24,117)	\$2,061,678	\$(129,640)	\$36,960,880

King's Town Bank Co., Ltd.

Statement of Cash Flows

(Expressed in Thousands of New Taiwan Dollar)

Item	2017	2016	Item	2017	2016
	Amount	Amount		Amount	Amount
Cash flows from operating activities			Cash flows from investing activities		
Profit before income tax from continuing operations	\$6,400,255	\$5,479,680	Acquisition of investment accounted for using equity method	-	-
Adjustments :			Decrease (Increase) in debt investments without active market	761,069	1,177,454
Income and other adjustments with no cash flow effects			Acquisition of property and equipment	(41,317)	(35,800)
Reversal of provision for bad debts	639,497	59,645	Proceeds from disposal of property and equipment	49,421	1,100
Impairment Loss on financial assets	(145,717)	(369,825)	Net cash (used in) provided by investing activities	769,173	1,142,754
Impairment Loss on non-financial assets	15,213	-			
Depreciation and amortization	50,954	51,144	Cash flows from financing activities		
Net interest income	(4,738,905)	(4,885,622)	Increase (decrease) in funds borrowed from Central Bank and banks	(2,971,280)	3,911,304
Share of profit of subsidiaries accounted for using equity method	(363,822)	(368,116)	Increase (decrease) in bills and bonds sold under agreements to repurchase	5,806,458	(878,082)
Gain from sale or retirement of property and equipment	(5,294)	16,457	Payment of cash dividends	(1,719,352)	(570,617)
Share-based payment compensation cost	-	6,121	Buyback of treasury stock	-	(407,090)
Changes in assets/liabilities relating to operating activities			Treasury stock transferred to employees	-	111,881
Increase in due from Central Bank and call loans to other banks	(250,112)	221,427	Net cash flows from financing activities	1,115,826	2,167,396
Decrease in financial assets at fair value through profit or loss	(16,021,499)	(863,139)			
(Increase) decrease in receivables	186,652	(160,036)	Effects of exchange rate changes on cash and cash equivalents	(32,956)	(55,799)
(Increase) decrease in bills discounted and loans	(19,308,792)	(600,669)	Increase (decrease) in cash and cash equivalents	(20,681,629)	480,996
(Increase) decrease in available-for-sale financial assets	5,487,527	(4,609,037)	Cash and cash equivalents at the beginning of periods	37,164,192	36,683,196
(Increase) decrease in held-to-maturity financial assets	(17,600,000)	-	Cash and cash equivalents at the end of periods	\$16,482,563	\$37,164,192
(Increase) decrease in other financial assets	(3,211)	(2,820)			
(Increase) decrease in other assets	(91,879)	(134,595)	The components of cash and cash equivalents		
Increase in due to Central Bank and other banks	11,887,980	(6,778,691)	Cash and cash equivalents presented in balance sheet	\$4,403,324	\$4,526,575
Increase in financial liabilities at fair value through profit or loss	92,956	7,960	Due from the Central Bank and call loans to banks satisfied the definition of cash and cash equivalents under IAS No.7	9,513,467	29,531,322
Increase (decrease) in payables	160,823	1,087,171	Bills sold under agreements to resell satisfied the definition of cash and cash equivalents under IAS No.7	2,565,772	3,106,295
Increase in deposits and remittances	6,892,119	4,285,680	Cash and cash equivalents at the end of periods	\$16,482,563	\$37,164,192
(Decrease) increase in liabilities reserve	(44,999)	(58,524)			
(Decrease) increase in other liabilities	16,115	36,032			
Interest received	6,096,528	6,278,569			
Cash dividends received	323,904	270,591			
Cash paid for interest	(1,407,457)	(1,317,005)			
Income tax paid	(802,508)	(443,753)			
Net cash provided by (used in) operating activities	(22,533,672)	(2,773,355)			



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